

DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT, dated as of December 1, 2007 (this "Agreement"), is made between the DISTRICT OF COLUMBIA, a municipal corporation with offices at 1350 Pennsylvania Avenue, N.W., The John A. Wilson Building, Washington, D.C. 20004 (the "District") and DC ARENA L.P., a District of Columbia limited partnership, with administrative offices at 601 F Street, N.W., Washington, D.C. 20004 ("DCALP").

RECITALS

A. DCALP operates an approximately 20,000-seat, one million square foot sports and entertainment arena currently known as Verizon Center (the "Verizon Center"), located at 601 F Street, N.W., Washington, DC on Lot 47 in Square 455, as shown on the tax rolls of the District maintained by the Office of Tax and Revenue.

B. On April 19, 2007, the Council approved the Verizon Center Sales Tax Revenue Bond Approval Act of 2007 (D.C. Law 17-12; effective July 12, 2007), as amended (the "Act"), authorizing (a) the imposition of certain taxes and (b) the issuance of bonds, notes or other obligations in a maximum principal amount not to exceed Fifty Million Dollars (\$50,000,000.00) for the purpose of financing improvements to the Verizon Center, all as more fully described therein and herein.

C. The Verizon Center provides the District with significant economic, cultural, social and financial benefits.

D. The District and DCALP desire to enter into this Agreement to set forth the terms of financing additions and improvements to, and renovation and refurbishment of, the Verizon Center (consisting of the additions, exterior improvements and renovations to, replacements for, and upgrades to, the Verizon Center, as described in the Approved Development Plan provided for in Section 2(8) and Section 6 of the Act (the "Development Plan"), a copy of which is attached to this Agreement as Schedule 2; such additions, renovations, replacements and upgrades constitute, collectively, the "Project"). As more fully set forth in this Agreement, the District will, in order to carry out the financing, issue the Notes (defined below). The Notes are not general obligations of the District and will be payable solely from the Available Funds (defined below) and other sums specifically allocated and pledged to the repayment thereof, and will not be a pledge of or involve the full faith and credit or taxing power of the District (other than with respect to the Available Funds allocated to the Project), will not constitute a debt of the District within the meaning of any statutory or constitutional limitation, and will not constitute lending of the public credit for private undertakings for purposes of Section 602(a) of the Home Rule Act (defined below). Similarly, the Notes will not constitute obligations or debts of DCALP.

In consideration of the mutual undertakings herein set forth, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE I

DEFINITIONS

“Act of Bankruptcy” shall mean any of the following:

(a) (i) failure of DCALP to pay generally its debts as they become due, (ii) commencement by DCALP of a voluntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal, state or District of Columbia bankruptcy, insolvency or other similar law, (iii) consent by DCALP to the appointment of a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official for DCALP or any substantial part of its property, or to the taking possession by any such official of any substantial part of the property of DCALP, (iv) making by DCALP of any assignment for the benefit of creditors or (v) taking of action by DCALP in furtherance of any of the foregoing;

(b) the (i) entry of any decree or order for relief by a court having jurisdiction over DCALP or its property in an involuntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal, state or District of Columbia bankruptcy, insolvency or other similar law, (ii) appointment of a receiver, liquidator, assignee, trustee, custodian, sequestrator or similar official for DCALP or any substantial part of its property or (iii) entry of any order for the termination or liquidation of DCALP or its affairs; or

(c) failure of DCALP within sixty (60) days after the commencement of any proceedings against it under the federal bankruptcy laws or any other applicable federal, state or District of Columbia bankruptcy, insolvency or other similar law, to have such proceedings dismissed or stayed.

“Aged Monies” means amounts which have been transferred by or on behalf of DCALP to the Verizon Center Debt Service Fund, as provided herein, and that are held in such fund for at least 91 days during or prior to which no Act of Bankruptcy shall have occurred, and also includes any earnings on such amounts.

“Available Funds” means, collectively, the funds available pursuant to Section 8(a) of the Act, including all amounts from time to time in the Verizon Center Fund and the Verizon Center Debt Service Fund, and the Available Increment; provided that any amounts transferred by or on behalf of DCALP shall not constitute Available Funds until such amounts are Aged Monies.

“Available Increment” has the meaning given to that term in Section 2 of the Act.

“Bond Insurance Policy” means, with respect to each Note, the Municipal Bond Insurance Policy insuring the scheduled principal and interest payable on such Note and issued by Financial Security Assurance Inc.

“Bond Insurer” means, with respect to each Note, Financial Security Assurance Inc. in its capacity as issuer of the Bond Insurance Policy for such Note.

“Budget” means the budget which is attached hereto as Schedule 1, as the budget may be amended from time to time in accordance with Section 3.5.

“Business Day” shall mean any day other than (a) a Saturday, Sunday, (b) a day on which the New York Stock Exchange is closed, or (c) a day on which the Paying Agent or Financial Security are required, or authorized, by law, regulation or executive order, to close.

“CBE Agreement” means the Certified Business Enterprise Utilization Agreement entered into as of the date hereof, between the District and DCALP pertaining to local, small disadvantaged business enterprises, a copy of which is attached hereto as Exhibit B, as that agreement may be amended from time to time.

“Code” means the Internal Revenue Code of 1986, as amended.

“Collection Agent” means Wachovia Bank, National Association, or any successor, as Collection Agent under the terms of the Lockbox Service Contract and the Verizon Center Collection Instructions.

“Council” means the Council of the District of Columbia.

“Custodian” means Wells Fargo Bank, National Association, or any successor thereto.

“DMPED” means the Deputy Mayor for Planning and Economic Development of the District of Columbia.

“Development Costs” means the following costs, to the extent financeable under the Home Rule Act and the Act, and consistent with the Budget: (i) DCALP payroll and related costs with respect to Work performed by DCALP employees; and (ii) costs of the Project paid by DCALP to third parties, including Work costs and financing and refinancing costs, issuance costs, capitalized interest and reserves, including those costs specified in Section 2.2 of this Agreement and any costs incurred in compliance with the District Agreements and any of the terms or conditions of this Agreement.

“Development Plan” shall have the meaning given that term in Section 2(8) of the Act.

“District Agreements” means the First Source Agreement and the CBE Agreement.

“Earnings Amount” means the amount of investment earnings actually derived from time to time on the Unexpended Balance.

“Financial Security” means Financial Security Assurance Inc. in its capacity as the issuer of the Reserve Policy.

“First Source Agreement” means the agreement entered into as of the date hereof, among the District and DCALP, a copy of which is attached hereto as Exhibit A, as that agreement may be amended from time to time.

“Force Majeure” means acts of God, acts of State or governmental actions, casualty, nuclear or natural catastrophe, interruptions or loss or malfunction of utilities, communications or computer (software or hardware) services, disturbances, earthquakes, epidemics, explosions, failure of power, fires, floods, hurricanes, insurrection, revolution or war, lightning, lockouts or other labor disputes, restrictive governmental law or regulations, riots, strikes, work stoppages, terrorist acts or threats of terrorist acts, prolonged shortages of supplies, and typhoons.

“Ground Lease” shall have the meaning set forth in Section 3.1.2.

“Home Rule Act” means the District of Columbia Home Rule Act, approved December 24, 1973, as amended (87 Stat. 790; D.C. Official Code §§ 1-201 et seq.)

“Indemnatee” shall have the meaning set forth in Section 9.5(e).

“Lockbox Service Contract” means the Lockbox Service Contract, dated July 20, 2004, between the District and the Collection Agent.

“Mayor” means the Mayor of the District of Columbia or his or her designee.

“Moody’s” means Moody’s Investors Service, Inc.

“Note” means each of the Series 2007A Note and the Series 2007B Note authorized under the Act in the aggregate original principal amount for both Notes of Fifty Million Dollars (\$50,000,000.00).

“Notes” means, collectively, the Series 2007A Note and the Series 2007B Note.

“Note Proceeds” means the net proceeds of the sale of the Notes or any interests therein less all costs of issuance (including amounts specified in Section 2.3), reserves funded with proceeds and bond insurance premiums

“OCFO” means the Office of the Chief Financial Officer of the District of Columbia.

“Paying Agent” means Wells Fargo Bank, National Association, or any successor, as Paying Agent under the terms of the Paying Agent Agreement.

“Paying Agent Agreement” means the Paying Agent Agreement dated as of December 1, 2007, between the District and the Paying Agent, substantially in the form of Exhibit H attached hereto.

“Permitted Investments” means any of the following:

(a) Direct obligations of, or obligations the full and timely payment of the principal of and interest on which are guaranteed by, the United States of America;

(b) Direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; consolidated debt obligations of the Federal

Farm Credit Banks ("FFCBs"), the Federal Home Loan Banks ("FHLBs") and the Federal Home Loan Mortgage Corporation ("FHLMCs"); debentures of the Federal Housing Administration; mortgage-backed securities (except stripped mortgage securities which are valued greater than par on the portion of unpaid principal) and senior debt obligations of the Federal National Mortgage Association ("FNMAs"); participation certificates of the General Services Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association ("GNMAs"); guaranteed participation certificates and guaranteed pool certificates of the Small Business Administration; debt obligations and letter of credit-backed issues of the Student Loan Marketing Association; local District bonds of the U.S. Department of Housing & Urban Development; guaranteed Title XI financings of the U.S. Maritime Administration; guaranteed transit bonds of the Washington Metropolitan Area Transit District; and Resolution Funding Corporation securities;

(c) Direct obligations of any state of the United States of America or any subdivision or agency thereof whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's and "A" or better by S&P, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's and "A" or better by S&P, in all cases without regard to rating modifiers, including "+", "-", "1", "2", or "3";

(d) Commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, "P-1" by Moody's and "A-1" or better by S&P;

(e) Federal funds, unsecured certificates of deposit, time deposits or bankers acceptances (in each case having maturities of not more than 365 days) of any domestic bank, including the Collection Agent and the Paying Agent, or branch office of a foreign bank which branch office is located in the United States provided legal opinions are received to the effect that full and timely payment of such deposit or similar obligation is enforceable against the principal office or any branch of such bank, which, at the time of purchase, has a short-term "Bank Deposit" rating of "P-1" by Moody's and "Short-Term CD" rating of "A-1" or better by S&P;

(f) Deposits of any bank or savings and loan association, which has combined capital, surplus and undivided profits of not less than \$5 million, provided such deposits are continuously and fully insured by the Bank Insurance Fund or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation;

(g) Investments in money market funds rated "AAAm" or "AAAm-G" by S&P;

(h) Investment agreements with institutions rated, or whose obligations are guaranteed by an entity rated, at the time of purchase, "Aa3" or better by Moody's and "AA-" or better by S&P.

(i) Investment agreements, bonds, notes or debentures with maturities of less than twenty-four months, issued by institutions rated, or whose obligations are guaranteed by an entity rated, at the time of purchase, "A" or better by Moody's and "A" or better by S&P, as long as the exposure from such investment(s) is limited to twenty-percent of the Unexpended Balance.

(j) Any other investment approved by the District in its sole discretion.

"Policy Costs" has, with respect to each Note, the meaning given to that term in such Note.

"Project" shall have the meaning set forth in Recital E.

"Refunding Bonds" means bonds or notes the proceeds of which are used to refund all or part of the 2002 Bonds.

"Registered Owner" has, with respect to each Note, the meaning given to that term in such Note.

"Registered Owners" means, collectively, the Registered Owner of the Series 2007A Note and the Registered Owner of the Series 2007B Note.

"Reserve Agreement" means that certain Reserve Agreement, dated as of April 1, 2002, by and among the District, Wells Fargo Bank Minnesota, N.A., and Financial Security Assurance, Inc.

"Reserve Policy" means the Municipal Bond Debt Service Reserve Insurance Policy issued by Financial Security in connection with the issuance of the Notes.

"Series 2007A Note" means the Series 2007A Note in the aggregate original principal amount of Forty Three Million Five Hundred Seventy Thousand Dollars (\$43,570,000.00) substantially in the form of Exhibit C-1 attached hereto.

"Series 2007B Note" means the Series 2007B Note in the aggregate original principal amount of Six Million Four Hundred Thirty Thousand Dollars (\$6,430,000.00) substantially in the form of Exhibit C-2 attached hereto.

"Single Site Taxes" means the taxes described in Section 16 of the Act.

"Site" means the real property known as Lot 47, Square 455 as per plat recorded in the Office of the Surveyor for the District of Columbia in Liber 189 at page 12.

"S&P" means Standard and Poor's Rating Services, a division of McGraw-Hill Companies, Inc.

"2002 Bonds" means the Gallery Place Bonds and the Mandarin Bonds as defined in the Reserve Agreement.

“Unexpended Balance” means the remaining balance from time to time of the Note Proceeds.

“Verizon Center” has the meaning given to that term in Recital A.

“Verizon Center Fund” means the special nonlapsing account denominated the “Verizon Center Fund” created pursuant to Section 3(a) of the Act to be held by the Collection Agent.

“Verizon Center Debt Service Fund” means the fund denominated in the Paying Agent Agreement as the “Verizon Center Debt Service Fund” to be held by the Paying Agent.

“Verizon Center Earnings Account” means the subaccount of the Verizon Center Debt Service Fund into which Earnings Amounts are deposited from time to time as provided in Section 5.1(d) hereof.

“Verizon Center Collection Instructions” means the Verizon Center Collection Instructions, dated December 18, 2007 between the District and the Collection Agent substantially in the form of Exhibit G attached hereto.

“Verizon Center Prepayment Account” means the subaccount of the Verizon Center Debt Service Fund into which certain amounts are deposited from time to time as provided in Section 2.6.2 hereof.

“Work” means additions and improvements to, renovations of, replacements for and upgrades to, the Verizon Center as set forth in the Development Plan.

ARTICLE II

ISSUANCE OF TIF NOTES

2.1 Issuance and Delivery of Notes; Transfer of Notes to Custodian. On or before December 20, 2007, the District will issue and deliver to DCALP or its designee the Notes. The Notes shall be delivered along with an opinion of nationally recognized bond counsel to the effect that the Notes are duly authorized, validly issued and enforceable, subject to customary exclusions, substantially in the form of Exhibit D attached hereto, and along with the other documents listed in Section 4.2 of this Agreement. The District understands that DCALP intends to sell the Notes to the Custodian, who will place the Notes in a custodial arrangement and sell interests therein to one or more purchasers. The Registered Owner of each Note shall be the Custodian. DCALP acknowledges that the District will have no involvement in connection with any such sales of interests or subsequent resales thereof and DCALP agrees to indemnify and hold the District harmless, pursuant to Section 9.5 hereof, from any claim, liability, loss, cost or expense incurred by or threatened against the District in connection with any such sales or resales. DCALP covenants, in connection with the sale or resale of any interest in the Notes, that it (i) will not make any representation to any purchaser of an interest in either Note that such purchaser can rely on any exemption from the registration requirements under any applicable securities laws based on the District being the issuer of such Note and (ii) will use reasonable commercial efforts to assure that any resale of either Note will be in compliance with the resale

requirements of any applicable securities laws without reliance on an exemption from registration based on the District being the issuer of such Note.

2.2 Payment of District's Costs. Upon delivery of the Notes to DCALP, DCALP shall pay all costs and expenses incurred by the District, including, without limitation, reasonable attorneys' fees, in connection with the negotiation of this Agreement and the issuance of the Notes. Thereafter, and upon request by the District, during the term of this Agreement and the Notes, DCALP shall promptly pay all reasonable costs and expenses incurred by the District, including, without limitation, reasonable attorneys' fees, in connection with this Agreement and the transactions contemplated hereby and the reasonable fees and expenses of the Collection Agent and the Paying Agent allocated to this transaction. DCALP shall also bear the audit expense described in Section 5.5(b).

2.3 Reporting. The District will provide the following periodic reporting:

(a) annually, by not later than five (5) months after the end of each fiscal year of the District, the "Financial Information" (hereafter defined); and

(b) timely upon occurrence of any of the following events, notice of :

- (1) a change of the District's fiscal year;
- (2) prepayment of either Note in whole or in part; and
- (3) any changes in the method of calculating the Available Increment.

(c) As used herein, "Financial Information" means, with respect to a fiscal year, the following:

- (1) the amount of the Available Funds derived from Single Site Taxes since the previous fiscal year;
- (2) the amount of the Available Increment derived since the previous fiscal year; and
- (3) the total principal amount of bonds issued by the District that are secured by the Available Increment and that are outstanding at the end of such fiscal year.

2.4 Verizon Center Fund: Verizon Center Debt Service Fund. The Verizon Center Fund shall be held by the Collection Agent, subject to a security interest to secure the obligations under the Notes in favor of the Registered Owners and, in its capacity as provider of the Reserve Policy, Financial Security. Promptly upon receipt, the Single Site Taxes shall be deposited into the Verizon Center Fund. The District shall direct the investment of the Verizon Center Fund on behalf of the District, which shall be invested in Permitted Investments (excluding investments identified in paragraph (j) of the definition of Permitted Investments). The earnings on the Verizon Center Fund shall be retained therein until transferred to the Verizon Center Debt Service Fund as provided in the next sentence. All moneys in the Verizon

Center Fund shall be transferred to the Verizon Center Debt Service Fund on the first Business Day of each calendar month and on the last Business Day of each fiscal year of the District. The Verizon Center Debt Service Fund shall be held by the Paying Agent, subject to a security interest to secure the obligations under the Notes, in favor of the Registered Owners and, in its capacity as provider of the Reserve Policy, Financial Security. The District shall direct the investment of the Verizon Center Debt Service Fund, which shall be invested in Permitted Investments, excluding investments identified in paragraph (j) of the definition of Permitted Investments.

2.5 Agreement to Allocate Available Increment. Pursuant to the Act and the terms and conditions set forth in this Agreement, the District agrees to allocate, to the extent necessary, the Available Increment to the payment of debt service and other amounts owed on the Notes, with the intent that the Available Increment shall constitute tax increment as defined in section 490(m)(6) of the Home Rule Act, subordinate only as to the portion of the Available Increment described in Section 8(b) of the Act, to the allocation of Available Increment to the "Budgeted Reserve" (as defined in the Reserve Agreement). No portion of the Budgeted Reserve shall be pledged to or available to pay the debt service on the Notes.

2.6 Payment of and Security for the Notes, Prepayment.

2.6.1 The principal of (including prepayments), interest on, and any premium on, and other amounts payable on, the Notes (collectively "Debt Service") shall be paid from Available Funds: first, from funds available pursuant to Section 8(a) of the Act including any Aged Monies, second, from the Available Increment, and third, from the Reserve Policy. The District agrees that the Verizon Center Fund shall be held by the Collection Agent, that the Verizon Center Debt Service Fund shall be held by the Paying Agent and that the Registered Owners, and, in its capacity as provider of the Reserve Policy, Financial Security, shall each have a first priority security interest in any amounts in the Verizon Center Fund and in any amounts in the Verizon Center Debt Service Fund to secure the payment of Debt Service. The District agrees that, on the first Business Day of each month, any amounts in the Verizon Center Fund shall be transferred to the Verizon Center Debt Service Fund and any amounts in the Verizon Center Debt Service Fund (including any amounts so transferred) shall be held in the Verizon Center Debt Service Fund as a reserve to secure the payment of Debt Service in the future; provided that, the District may use any such reserves (a) to pay principal of, interest on, and premium, if any, on, the Notes and any Policy Costs of the Reserve Policy when such payments come due, and (b) at any time to prepay all or any portion of the principal of the Notes plus any premium and interest on such prepaid principal.

2.6.2 Each Note shall provide that it is open to prepayment, in whole or in part, at the option of the District, subject only to the prepayment premium (the "Premium") set forth in such Note. The District will not rescind, alter, waive or modify its prepayment privilege. If DCALP provides funds for deposit into the Verizon Center Debt Service Fund to prepay a Note, in whole or in part, in accordance with the terms thereof, the District will immediately exercise its right to cause such funds to be used to prepay all or a portion of such Note, as applicable, in accordance with the terms of such Note. Any such amounts shall be held by the Paying Agent in a subaccount of the Verizon Center Debt Service Fund designated the "Verizon Center Prepayment Account." Notwithstanding anything herein to the contrary, the Paying Agent shall

not use any such amounts to pay or prepay principal of, premium on, or interest on, a Note or to redeem a Note or any portion thereof until such amounts have become Aged Monies.

2.7 Restrictions on Transfer. A Note may not be transferred in part and may be transferred in whole only (a) to a successor custodian, (b) to a Qualified Institutional Buyer within the meaning of Rule 144A under the Securities Act of 1933, as amended, who executes an investor letter in substantially the form attached to such Note, or (c) to the Bond Insurer, or (d) to any other transferee approved by the District in its sole discretion.

ARTICLE III **REPRESENTATIONS AND WARRANTIES**

3.1 Representations and Warranties of DCALP. DCALP represents and warrants as of the date of execution of this Agreement by it that:

3.1.1 Organization and Powers. It is a limited partnership duly organized, validly existing and in good standing under the laws of the District of Columbia, has the organizational power and authority to own its assets and properties, to carry on its activities as now conducted by it, and to execute, deliver and perform its obligations under this Agreement.

3.1.2 Consent to Verizon Center Sales Tax Increment Act. DCALP consents to the Act and waives its right to: (a) object to the imposition of sales tax effected by Section 16(b) of the Act under Section 6.3 of the Land Disposition Agreement–Ground Lease, by and among the District, the District of Columbia Redevelopment Land Agency and DCALP, dated as of December 29, 1995, as amended from time to time (the “Ground Lease”), and (b) offset against Rent (as defined in the Ground Lease) the amount of any sales tax effected by Section 16(b) of the Act; provided that, such waiver shall be null and void and of no force and effect if the Act is amended without DCALP’s consent.

3.1.3 Authorization: Binding Agreement. The execution, delivery and performance by it of this Agreement have been duly authorized by all requisite organizational action; upon execution and delivery of this Agreement by DCALP, this Agreement will, assuming enforceability of this Agreement against the District, constitute the legal, valid and binding obligation of DCALP, enforceable in accordance with its terms, except to the extent that enforceability may be limited by applicable bankruptcy, insolvency or other similar laws of general application or equitable principles relating to or affecting the enforcement of contracts generally against persons similarly situated.

3.1.4 Litigation. There is no action, suit or proceeding pending or threatened before any court or governmental or administrative body or agency which may reasonably be expected to result in a material adverse change in its activities, operations, assets or properties, or materially impair its ability to perform its obligations under this Agreement, and it is not in material default with respect to any judgment, writ, injunction, decree, rule or regulation of any court or any governmental or administrative body or agency.

3.1.5 No Conflicts. The execution, delivery and performance by it of this Agreement will not violate any provision of law, any order, rule or regulation of any court or governmental or regulatory body, its certificate or agreement of limited partnership or any

indenture or deed of trust, agreement or instrument to which it is a party or by which it or its assets or properties are bound, or conflict with, result in a material breach of or constitute (with due notice or lapse of time or both) a material default under any such indenture or deed of trust, agreement or instrument, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of its assets or properties, except as otherwise permitted, required or contemplated by this Agreement.

3.1.6 Governmental Consents. No consent, approval or authorization of, or declaration or filing with, any governmental or administrative body or agency on its part is required for the valid execution, delivery and performance by it of this Agreement.

3.1.7 No Default. It is in compliance with all of the terms and provisions set forth in this Agreement on its part to be observed or performed.

3.2 Representations and Warranties of the District. The District represents and warrants as of the date of execution by it that:

3.2.1 Authorization: Binding Agreement. The execution, delivery and performance by it of this Agreement and the issuance of the Notes have been duly authorized by all requisite executive and legislative action. Upon execution and delivery of the Notes by the District and execution and delivery of this Agreement by the District and DCALP, this Agreement and each Note will constitute a legal, valid and binding obligation of the District enforceable in accordance with the respective terms thereof.

3.2.2 Consents. No further consent, approval or authorization of, or declaration or filing with, any governmental office, agency or administrative body on its part is required for the valid execution, delivery and performance by it of this Agreement or the Notes.

3.3 Disclaimer of Warranties. The District makes no warranty or representation, express or implied, as to the title, value, design, condition, merchantability or fitness for a particular purpose or fitness for use of the Project or any portion thereof or any other warranty with respect thereto. In no event shall the District be liable for any incidental, indirect, special or consequential damages in connection with or arising out of this Agreement or the Project or the existence, furnishing, functioning or use of the Project or any item or products or services provided for in this Agreement.

3.4 Determinations by the District. The parties acknowledge that the District has made or will make its determinations as to issuance of the Notes in reliance on information supplied in writing by DCALP concerning the Project and on DCALP's compliance with the provisions of this Agreement. The Development Plan attached hereto as Schedule 2 is hereby approved by the Mayor pursuant to Section 6(b) of the Act.

3.5 Budget. Schedule 1 may be amended from time to time by DCALP, with the consent of the District, such consent not to be unreasonably withheld, conditioned or delayed. In the event DCALP determines to amend the Budget, it shall submit its proposed amendment to the DMPED along with a request for approval of the proposed amendments. The DMPED shall, within fifteen (15) Business Days of such request, approve the amendment in whole or in part, or

deny the amendment, and if denied in whole or in part, it will state its reasons for doing so. To the extent approved, Schedule 1 will be deemed amended, and to the extent denied, DCALP and the DMPED will negotiate in good faith with the goal of achieving agreement. In considering amendment requests, the DMPED will approve amendments that are either (i) not at material variance from the prior Budget(s) (or any of them) or (ii) are consistent with amendments to the Development Plan which have been approved pursuant to Section 3.6 hereof. In the event the DMPED does not respond to a requested amendment within fifteen (15) Business Days, the requested amendment shall be deemed approved.

3.6 Development Plan. Schedule 2 may be amended from time to time by DCALP, with the consent of the District, such consent not to be unreasonably withheld, conditioned or delayed. In the event DCALP determines to amend the Development Plan, it shall submit its proposed amendment to the DMPED along with a request for approval of the proposed amendments. The DMPED shall, within fifteen (15) Business Days of such request, approve the amendment in whole or in part, or deny the amendment, and if denied in whole or in part, it will state its reasons for doing so. To the extent approved, Schedule 2 will be deemed amended, and to the extent denied, DCALP and the DMPED will negotiate in good faith with the goal of achieving agreement. In considering amendment requests, the DMPED will approve amendments that are either (i) not at material variance from the prior Development Plan(s) (or any of them) or (ii) that are reasonably likely to enhance the operations of, functionality or patron experience at the Verizon Center (or any element thereof), or will result in operational cost savings, including without limitation, energy and environmental enhancements. In the event the DMPED does not respond to a requested amendment within fifteen (15) Business Days, the requested amendment shall be deemed approved.

3.7 The Lockbox Service Contract, the Verizon Center Collection Instructions and the Paying Agent Agreement. The District has entered into a Lockbox Service Contract and shall enter into the Verizon Center Collection Instructions and Paying Agent Agreement. The District shall not amend any of such agreements in any way that has a material adverse effect on the rights of DCALP or Financial Security under this Agreement or either Note without the prior written approval of DCALP and Financial Security.

ARTICLE IV

DOCUMENTATION

4.1 DCALP Deliveries. On or before the date hereof, DCALP has delivered to the District the following:

(a) a certificate, issued by the Department of Consumer and Regulatory Affairs of the District within forty-five (45) days of the date of this Agreement, that DCALP is qualified to do business in the District;

(b) an opinion of counsel opining, *inter alia*, that DCALP's execution and delivery of this Agreement and all other instruments and documents entered in by DCALP in connection therewith are duly authorized and that this Agreement and such other instruments and

documents are the valid and binding obligations of DCALP, enforceable in accordance with their respective terms;

(c) evidence of the extension of the term of the Ground Lease to a date not earlier than August 15, 2047, such extension to be (i) subject to termination at the option of DCALP on the date the Notes are paid in full (or provision therefore is made), and (ii) substantially in the form attached hereto as Exhibit E;

(d) evidence of the extension of the Licenses of each of the Wizards' and the Capitals' to play at the Project to a date not earlier than August 15, 2047, substantially in the forms attached hereto as Exhibit F-1 and Exhibit F-2, (the "Extensions") in each case such Extensions to be subject to termination at the option of the Licensee on the date the Notes are paid in full (or provision therefore is made);

(e) opinions of counsel opining that DCALP's and the Wizards' respective execution and delivery of the Extensions are duly authorized and that such Extensions are the valid and binding obligations of DCALP and the Wizards, respectively, enforceable in accordance with their respective terms;

(f) the District Agreements.

4.2 District Deliveries. On or before the date hereof, the District shall deliver the following:

(a) the Notes;

(b) an opinion of the Attorney General for the District of Columbia in customary form (i) as to the due authorization and issuance of the Notes, and (ii) to the effect that (A) the District's execution and delivery of this Agreement is duly authorized, and (B) this Agreement is the valid and binding obligation of the District, enforceable against the District in accordance with its terms;

(c) a copy of the Act, certified by the Secretary of the Council;

(d) the opinion of bond counsel (with reliance thereon in favor of the Registered Owner and Financial Security);

(e) evidence of the authorization by the Mayor of the issuance, execution and delivery of the Notes and the execution, delivery and performance of this Agreement and the related documents to which the District is a party;

(f) such additional legal opinions, certificates, proceedings, instruments and other documents as may reasonably be required to support the issuance of the Notes; and

(g) the Lockbox Service Contract, the Verizon Center Collection Instructions and the Paying Agent Agreement.

ARTICLE V

COVENANTS OF DCALP

DCALP covenants and agrees that until this Agreement terminates or is terminated pursuant to the terms of Article VIII hereof, unless the District shall otherwise consent in writing, it will:

5.1 Use of Proceeds.

(a) Use the Unexpended Balance solely and exclusively to pay Development Costs of the Project.

(b) Pending application in accordance with Section 5.1(a), the Unexpended Balance shall be deposited in one or more segregated accounts of DCALP which shall not be commingled with other funds of DCALP or of any other person and shall not be pledged as security to any person.

(c) Pending application in accordance with Section 5.1(a), DCALP shall invest the Unexpended Balance solely in Permitted Investments.

(d) On each May 1 and November 1 of each year, transfer to the Paying Agent any Earnings Amount which has been earned since the last such transfer. Such amounts shall be deposited with the Paying Agent in the "Verizon Center Earnings Account". The Paying Agent shall not use any such amounts to pay principal of, premium on, or interest on, the Notes or to redeem the Notes or any portion thereof until such amounts have become Aged Monies.

5.2 Corporate Existence and Properties. Do or cause to be done all things necessary to preserve, renew and keep in full force and effect its existence, and comply in all material respects with all applicable laws and regulations.

5.3 Payment of Indebtedness and Taxes. Pay all of its indebtedness and obligations promptly and in accordance with the terms thereof, file or cause to be filed all federal and District of Columbia tax or information returns which are required to be filed by it and pay and discharge or cause to be paid and discharged promptly any taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits, or upon any of its property or upon any part thereof, before the same shall become in default, provided, however, that DCALP shall not be required to pay and discharge or to cause to be paid and discharged any such tax, assessment, governmental charge or levy so long as the validity thereof shall be contested in good faith by appropriate proceedings.

5.4 Compliance with Laws. Comply with all laws, orders, rules or regulations of any court, governmental or regulatory body applicable to it or its properties.

5.5 Books and Records, Inspection and Audits

(a) Keep proper books of record and account, containing complete and accurate entries of all financial and business transactions relating to the Project.

(b) Report to the OCFO annually the total amount expended on Development Costs in the preceding year, and the total amount expended on Development Costs since the date hereof (the "Spend Down Report"). Such Spend Down Report shall be provided not less than one hundred twenty (120) days following the end of the fiscal year of DCALP, shall be based on the expenditures of DCALP on Development Costs as of the end of its applicable fiscal year and shall include a reconciliation to the Development Plan and to the Budget. The Spend Down Report will be confirmed by an independent accountant engaged by DCALP.

(c) Provide to the OCFO, its auditors, inspectors, regulators, the Inspector General of the District and other District representatives access at all reasonable times to the data and records relating to the expenditure of the Note Proceeds for the purpose of (i) performing audits and inspections of the financial and business transactions relating to the expenditure of the Note Proceeds, (ii) verifying the integrity of the data, records and the Spend Down Report, (iii) examining the systems that process, store, support and transmit the data and records, and (iv) examining DCALP's performance of its obligations under this Agreement.

5.6 Disclosure. In all relevant written materials, DCALP will acknowledge the role of the District. DCALP shall, for a period of three years, post or cause the posting of a sign inside the Verizon Center which shall display, in a prominent location and manner, as determined by DCALP, the following information (or such other information as is agreed to by the District):

Financing provided in part by
District of Columbia
Adrian Fenty, Mayor
Neil O. Albert, Deputy Mayor for Planning and Economic Development

For more information contact:
Office of the Deputy Mayor for Planning and
Economic Development
1350 Pennsylvania Ave., N.W., Suite 317
Washington, DC 20004
(202) 727-6365 Fax (202) 732-7171
www.dcbiz.dc.gov

5.7 DCALP Certifications.

(a) On or prior to the date of this Agreement, DCALP shall certify in form and content acceptable to the District that (i) it is in compliance with the provisions of Title 1, Chapter 25 of the District of Columbia Code (D.C. Official Code §§ 1-2501 et seq., as amended) and (ii) it does not wholly or partially deny, restrict or abridge or condition the use of, or access to, any of its facilities and services to any person otherwise qualified, for a discriminatory reason, based upon the race, color, religion, national origin, sex, age, marital status, personal appearance, sexual orientation, family responsibilities, political affiliation, source of income or physical handicap of any individual.

(b) DCALP agrees to furnish to the District, concurrently with the execution and delivery of this Agreement, its certification that it has entered into the First Source Agreement and CBE Agreement.

5.8 Licenses. DCALP agrees to use reasonable commercial efforts to enforce the terms of the Licenses described in Section 4.1(d) of this Agreement in accordance with their respective terms, and DCALP agrees that it will not alter or amend such Licenses without the prior consent of the District.

ARTICLE VI PROJECT

6.1 Conditions Precedent to Carrying Out the Project. DCALP shall obtain all permits and approvals required by District agencies in order to carry out the Project to the extent not previously obtained. DCALP shall pay all fees and charges for such permits and approvals and shall maintain such permits and approvals in full force and effect.

6.2 Maintenance of Site and Project.

(a) DCALP shall take good care of, and keep and maintain, the Verizon Center and Site in good and safe order and condition, and shall make all repairs reasonably necessary to keep the Verizon Center and Site in good and safe order and condition.

(b) DCALP shall keep reasonably clean and free from rubbish all areas of the Verizon Center and Site, except to the extent stored in a commercially reasonable manner.

(c) DCALP shall dispose of waste from all areas of the Verizon Center and Site in accordance with District laws and regulations and in a prompt and sanitary manner.

ARTICLE VII INSURANCE, DAMAGE AND DESTRUCTION

7.1 Insurance Requirements. DCALP shall maintain at all applicable times during the term of this Agreement the insurance set forth in the Ground Lease.

7.2 Application of Proceeds. DCALP shall use commercially reasonable efforts to use all insurance proceeds that are available to DCALP pursuant to the insurance required pursuant to Section 9.1(b) of the Ground Lease to restore the Verizon Center. Any such amounts that are not so used and which are not required to be applied for any other purpose under the Ground Lease shall be used to pay other debt of DCALP or, provided such amounts are Aged Monies, to prepay the Notes.

ARTICLE VIII TERMINATION

8.1 Scheduled Termination. This Agreement shall automatically terminate upon the payment in full of the Notes (or provision therefore being made), and the District and DCALP shall each execute such documents as may be reasonably required to evidence such termination.

8.2 Involuntary Termination. In the event DCALP becomes unable to perform its obligations (a) under Section 5.5(c) by reason of any injunction, change in law or other circumstance not constituting a Force Majure and such disability continues for more than 364 days, or (b) under Sections 5.1, 5.3, 5.5(c) or 7.1 by reason of an Act of Bankruptcy affecting DCALP, DCALP shall be obligated to pay to the Paying Agent, for application in accordance with Section 2.6.2 above, the Unexpended Balance.

ARTICLE IX MISCELLANEOUS

9.1 Entire Agreement. This Agreement supersedes all prior agreements or understandings, written or oral, in respect thereof pertaining to the subject hereof, and shall not be amended or modified in any fashion except by an instrument in writing executed by both parties and consented to by Financial Security to the extent it would affect the obligations of the District under the Notes.

9.2 Notices. Any notice or other communication given pursuant hereto by either of the parties hereto to the other party hereto shall be in writing and delivered by hand, by prepaid Federal Express or comparable delivery service, or mailed by first class mail, or by courier, postage prepaid (mailed notices shall be deemed given when duly mailed), to the parties at their addresses set forth above or to such other address or addresses as hereafter shall be furnished as provided in this Section 9.2 by either of the parties hereto to the other party hereto.

Notices to DCALP shall be sent to:

DCALP
Verizon Center
601 F Street, N.W.
Washington, D.C. 20004
Attn: CFO

Copies of notices to DCALP shall also be given to:

Arent Fox LLP
1050 Connecticut Ave., N.W.
Washington, D.C. 20036
Attn: Richard A. Newman, Esq.

or otherwise in accordance with a written instruction provided by DCALP to the District.

Notices to the District shall be sent to:

Office of the Deputy Mayor for Planning and Economic Development
The John A. Wilson Building
1350 Pennsylvania Avenue, N.W.
Suite 317
Washington, D.C. 20004
Attention: Verizon Center

and

Office of the Chief Financial Officer
One Judiciary Square
441 4th Street, N.W., Suite 410 South
Washington, D.C. 20001
Attention: Senior Advisor for Economic Development/Verizon Center

with a copy to:

Office of Finance and Treasury
1275 K Street, NW
Suite 600
Washington, DC 20005
Attention: Treasurer

and

Office of the Attorney General
441 4th Street, N.W.
1 Judiciary Square
Washington, D.C. 20001
Attention: Assistant Attorney General – Verizon Center

or otherwise in accordance with a written instruction provided by the District to DCALP.

9.3 Waiver; Remedies. No delay on the part of either party hereto in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of either party hereto of any right, power or privilege hereunder operate as a waiver of any other right, power or privilege hereunder, nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege substantially.

9.4 Assignment. DCALP may not assign all or any portion of its rights or obligations under this Agreement without the prior written consent of the District; provided that the rights of DCALP pursuant to Sections 2.3, 2.5 and 2.6.1 hereof may be assigned to the Registered Owners. Any assignment in contravention hereof shall be void.

9.5 Exculation and Indemnification.

(a) No past, present or future general or limited partner, and no officer, director, employee or agent of any such partner of DCALP shall have any personal liability hereunder, at law or in equity, for any act or omission of DCALP in connection with any breach of this Agreement or any claim arising in connection herewith. This provision shall not negate or alter the requirement for DCALP to indemnify the District as set forth in Section 9.5(c) and Section 9.5(d) below.

(b) In the exercise of the powers of the District and its elected and appointed officials, officers, agents and employees involved in connection with any breach of this Agreement by DCALP, no such person shall be accountable to DCALP for any action taken or omitted in good faith and reasonably believed by it or them to be authorized or within the discretion or rights or powers conferred. The District and any such person shall be protected in acting upon any paper or document believed to be genuine, and may conclusively rely upon the advice of counsel and may (but need not) require further evidence of any fact or matter before taking any action. No recourse shall be had by DCALP for any claims based upon this Agreement against any elected or appointed official, officer, or employee of the District alleging personal liability of any such person.

(c) Subject to the provisions of subsection (e) below, DCALP indemnifies and holds harmless the District and its elected and appointed officials, officers, agents and employees against any and all claims, losses, damages or liabilities, including reasonable legal fees and costs, joint and several, to which any such person may become subject, insofar as such losses, claims, damages or liabilities (or actions in respect of such losses, claims, damages or liabilities) arise out of, or are based on, the making, funding, disbursement or performance of this Agreement, or any alleged act or omission by the District in connection with this Agreement unless the losses, claims, damages or liabilities arise from any willful misconduct or fraudulent act by any such elected or appointed official, officer, employee, or agent.

(d) DCALP shall indemnify the District and its elected and appointed officials, officers, employees and agents and hold them harmless against losses, claims, damages or liabilities to which the District or any other such person may become subject and which arise out of or are based upon (i) any untrue or misleading statement or alleged untrue or misleading statement of any material fact made by DCALP, or any breach by DCALP of any warranty, representation or covenant contained in this Agreement, or (ii) any offer, sale or resale of interests in the Grantor Trust or any information, representations, undertakings or any other action provided or taken in connection with or related to the Grantor Trust or any such offer, sale or resale.

(e) If the District or any other person entitled to indemnification under this Section 9.5 (an "Indemnatee") receives notice of any claim or action against the Indemnatee with respect to which indemnification is to be sought from DCALP under this Section 9.5, the Indemnatee will timely notify DCALP of the claim or action in writing; timely notice shall mean at such a time so as to enable DCALP to meaningfully participate in a defense against such a claim, and in the event of an untimely notice, DCALP's obligation hereunder shall abate only to the extent such untimeliness was the proximate cause of a loss as to which indemnity is sought

hereunder. In the event any such claim is made or action brought against any Indemnatee and the Indemnatee is entitled to indemnification under this Agreement, the Indemnatee may, but is not required to, direct DCALP to assume the defense of the claim and any action brought on the claim (with counsel reasonably satisfactory to the Indemnatee) and to pay all reasonable expenses incurred as a result of the claim. If DCALP shall not have employed counsel to have charge of the defense of any such action (following the notice and direction specified above), or if DCALP and an Indemnatee shall have reasonably concluded that there may be defenses available to that Indemnatee which are different from or additional to those available to DCALP (in which case DCALP shall not have the right to direct the defense of such action on behalf of such Indemnatee), or if such Indemnatee has elected to assume the Indemnatee's own defense, the reasonable legal and other expenses incurred by such Indemnatee shall be borne by DCALP. No party will be liable in respect of any settlement effected without its prior consent. The defense of any such claim or action shall include the taking of all actions necessary or appropriate to the defense. DCALP agrees to reimburse any reasonable legal and other expenses reasonably incurred by any Indemnatee in connection with investigating or defending any such loss, claim, damage, liability or action.

(f) The provisions of this Section 9.5 shall survive the termination of this Agreement.

9.6 Captions. All Article and Section titles or captions contained in this Agreement are for convenience only and shall not be deemed a part of this Agreement.

9.7 Counterparts. This Agreement may be executed in counterparts, each of which shall constitute an original and all of which, when taken together, shall constitute one agreement, and either party hereto may execute this Agreement by signing one or more counterparts thereof:

9.8 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the District of Columbia.

9.9 Event of Non-Compliance with Certain District Requirements. DCALP shall comply with the District Agreements, the execution of each of which induced the District to issue the Notes. In the event that it is determined that an Event of Non-Compliance (as defined below) has occurred and is continuing with respect to DCALP under either of the District Agreements, the District, after notice to DCALP, may seek enforcement of any right under the applicable District Agreement and seek any administrative, legal or equitable remedy available thereunder, including, but not limited to specific performance. The occurrence of an Event of Non-Compliance shall not be a basis for terminating this Agreement or for accelerating payment of either Note.

For purposes of this Section 9.9, "Event of Non-Compliance" shall mean either (i) a failure to meet the job notice and periodic reporting requirements contained in the First Source Agreement for a period of six months or more, or (ii) a material failure to meet, or to undertake in good faith to meet, the CBE Agreement contracting and procurement commitments, as determined therein, which failure has continued beyond any applicable cure period; provided that there shall not be an Event of Non-Compliance if DCALP is contesting, in good faith, the existence of said Event of Non-Compliance, or compliance is stayed or restricted by an

administrative or judicial proceedings or determination, or the District has not elected to declare the existence of such Event of Non-Compliance.

In no event shall termination of this Agreement or an Event of Non-Compliance affect or impair the District's obligations under either Note.

9.10 Confidentiality. The following provisions are applicable to requests filed under the District of Columbia Freedom of Information Act of 1976 (D.C. Code § § 2-531 et seq.) ("DCFOIA") or any similar applicable law for information regarding this Agreement or any communications or records with respect to this Agreement:

9.10.1 Non-Disclosure. The District acknowledges that portions of this Agreement, specifically including, without limitation, reports, data, records, and other information furnished by DCALP pursuant to Sections 5.5 and 9.9, and all information set forth in Schedule 1 and Schedule 2, contain information (collectively, "DCALP Information") which, if disclosed, could result in substantial harm to the competitive position of DCALP. Accordingly, if a party files a request under the DCFOIA or any similar applicable law for any DCALP Information or for any communications or records with respect to any DCALP Information (in any of such events, a "Request"), the District shall, promptly, and in any event not more than five days following the receipt of the Request, notify DCALP of the Request and allow DCALP a sufficient, and not less than a reasonable, period of time (and, in any event, prior to the disclosure of any information that would be disclosed by the District pursuant to the Request) within which to object to the District and any other relevant judicial or administrative body to the disclosure of any of the requested information. If, following receipt of DCALP's objection to the release of the requested information, or not less than ten days following receipt of the request, the District determines that the information requested is exempt from disclosure pursuant to the DCFOIA or any similar applicable law, the District shall promptly, and in any event, within the time limits mandated under the DCFOIA, assert such exemption from disclosure and decline to provide such information. If, following receipt of DCALP's objection to the release of the requested information, or not less than ten days following receipt of the request, the District determines that the information sought by the Request is not exempt from disclosure pursuant to the DCFOIA or any similar applicable law, the District shall promptly notify DCALP of its determination, and shall refrain from making such disclosure for not less than five days following notice to DCALP in order to afford DCALP an opportunity to seek an injunction or other appropriate remedy if DCALP believes that the District's determination is erroneous. "Days" as used in this Section 9.10, shall be determined in the manner provided in the DCFOIA.

9.10.2 Notice. DCALP shall clearly mark each page of all documents which DCALP wishes to designate as DCALP Information "Confidential Trade Secret Information, Contact DCALP Before Any Disclosure" and shall also include a reference to this Agreement.

9.10.3 Certain Required Disclosures. Nothing in this Agreement shall limit or restrict the District from disclosing, to the extent required by applicable law or regulation, any information, communication, or record to the Council of the District of Columbia or the United States Congress.

9.10.4 Termination. Sections 9.10.1 of this Agreement shall terminate on January 1, 2018.


[Signature Page To Follow]

DISTRICT OF COLUMBIA

By: 
Neil O. Albert
Deputy Mayor for Planning and
Economic Development

APPROVED AS TO FORM:

Assistant Attorney General


Name: Patrick Allen

DC ARENA L.P.

a District of Columbia limited partnership

By: Washington Sports & Entertainment,
Inc., its General Partner

By: _____
Its: _____

DISTRICT OF COLUMBIA

By: _____
Neil O. Albert
Deputy Mayor for Planning and
Economic Development

APPROVED AS TO FORM:


Attorney General

Name: _____

DC ARENA L.P.

a District of Columbia limited partnership

By: Washington Sports & Entertainment,
Inc., its General Partner

By: 
Its: President - Business
Operations