

City of Alexandria, Virginia

34
6-25-02

MEMORANDUM

DATE: JUNE 20, 2002

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER ^S

SUBJECT: RESOLUTION AUTHORIZING THE ACQUISITION OF 4480 KING STREET FOR THE ALEXANDRIA HEALTH DEPARTMENT AND RATIFYING CONTRACT

ISSUE: Consideration of a resolution authorizing the City to acquire property located at 4480 King Street from Aspen King Street, LLC, AVH King Street, LLC, and RG King Street, LLC for the Alexandria Health Department and ratifying contract.

RECOMMENDATION: That City Council approve the attached resolution, which:

- (1) approves the acquisition of the property;
- (2) ratifies and confirms the contract for the acquisition, in the form executed by the City Manager and presented to Council; and
- (3) authorizes the City Manager to execute additional documents that are necessary to complete the transaction.

BACKGROUND: The current Health Department facility, located in a 57 year-old building at 517 North St. Asaph Street, no longer supports the needs of the Department. Last spring, Council received a study conducted by the Lewin Group, which recommended that the City obtain a single replacement facility for the North St. Asaph Street facility located west of Quaker Lane.

In October 2001, City staff completed a site suitability study of possible locations in the City's West End for a new Health Department. Staff identified the office building for sale at 4480 King Street, completed a preliminary property report, and received Council's approval to negotiate a sales contract.

DISCUSSION: The purpose of the acquisition is for the relocation of administrative and clinical space for the City's central Health Department facility. The proposed building at 4480 King Street is only 15 years old and has sufficient space and access to meet the programmatic needs of the Health Department.

The Health Department employees will occupy the first, second, third and fourth floors in the 4480 King Street building. Outpatient clinics and administrative space will be located on the first floor; outpatient clinics will be located on the second floor; community targeted programs, environmental health programs, Laboratory Services, and administrative functions will be located on the third floor; and administrative functions will be located on the fourth floor. Parking is located underground and on the surface in the rear of the facility.

The property to be acquired is currently owned by Aspen King Street, LLC, AVH King Street, LLC, and RG King Street, LLC. There are currently two leases for space in the building, which will be assigned to the City. A lease with TRW, Inc. will terminate on March 31, 2003. A lease with Automated Research Systems, Ltd. will terminate no later than November 30, 2002.

The City expects to complete design and construction work over the next 18 to 20 months, when the building would be ready to be occupied by the Health Department. At its meeting on June 4, 2002, the Planning Commission considered and unanimously approved a special use permit application, and provided its approval of the proposed acquisition, as required by Section 9.06 of the City Charter. City Council approved the special use permit at its June 15 public hearing meeting.

Counsel for the sellers and the City Attorney have negotiated a contract which establishes the terms for the purchase and which has been executed by the City Manager, subject to approval by City Council. A copy of the contract, and the resolution ratifying and confirming the contract, are attached. In the event Council does not approve the transaction, the contract will terminate, without liability on the part of either the City or the sellers.

The contract provides for the conveyance of the property in "as is," "where is" condition, with the exception of certain limited representations and warranties by the sellers. The conveyance of property in "as is" condition is not uncommon for property of this type, and does not pose a significant risk, given that the City is informed about environmental and other conditions of the property. The City has already conducted a detailed property report and an environmental site assessment of the property, which disclosed no adverse structural or environmental conditions. The contract provides for settlement not later than June 28, 2002. Finally, the contract includes certain conditions which must be satisfied in order to proceed including the termination of the existing leases no later than March 31, 2003.

The City is proceeding with plans to relocate the Alexandria Community Services Board's Clubhouse/Substance Abuse Day Support Program to 4480 King Street. This program is designed to assist adults with a serious mental illness and/or substance abuse dependencies to live successfully in the community. The required special use permit application for the program is being prepared for consideration by the Planning Commission and City Council in the fall.

FISCAL IMPACT: The approved FY2003 Capital Improvement Budget for the Health Department is \$11,000,000. The fiscal impact of the acquisition is \$8,150,000, plus customary closing costs, including title insurance premiums and settlement fees. An appraisal

commissioned by City staff and performed by The Robert Paul Jones Company, Ltd. has confirmed the value of the property and improvements at \$8,200,000.

The remaining \$2,850,000 in capital is earmarked for the due diligence, design and construction process of the new Health Department Facility.

ATTACHMENTS:

Attachment 1. Resolution

Attachment 2. Contract of Sale

STAFF:

Michele Evans, Assistant City Manager

Mark Jinks, Assistant City Manager

Ed Mandley, Director, Department of General Services

RESOLUTION NO. _____

WHEREAS, the City of Alexandria, Virginia, desires to acquire 34,824 square feet of land, more or less, located at 4480 King Street, within the City of Alexandria, the said land being shown on a plat entitled "ALTA/ACSM Land Title Survey of #4480 King Street" dated May 29, 2002, and prepared by AB Consultants, Inc., and more particularly described on Exhibit A attached hereto and incorporated herein by this reference, together with a six story office building, all other improvements and fixtures on the said land, and all rights, privileges, easements, benefits and agreements appurtenant thereto (collectively, the "Property"); and

WHEREAS, the City of Alexandria is empowered by section 13.01 of its charter to acquire private property for the purpose of carrying out its powers and duties; and

WHEREAS, the City Council is of the opinion that a public necessity exists for the acquisition by the City of Alexandria of the Property for purposes of the location of offices of the city's health department and other city facilities, and so finds; and

WHEREAS, the land records of the City of Alexandria indicate that the owners of the Property are Aspen King Street, LLC, a Virginia limited liability company, AVH King Street, LLC, a Virginia limited liability company, and RG King Street, LLC, a Virginia limited liability company; and

WHEREAS, the city attorney has negotiated, and the city manger has executed, a Contract of Sale, for the acquisition of the Property by the City of Alexandria (the "Contract");

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL
OF THE CITY OF ALEXANDRIA, VIRGINIA:**

1. That, pursuant to the provisions of section 13.01 of the Charter of the City of Alexandria, the acquisition of the Property is approved.
2. That the Contract, in the form presented to Council, is approved, ratified and confirmed.
3. That the city manager is authorized to execute on behalf of the city such other requisite documents in connection with the settlement of the transaction contemplated by the Contract, and, if required, the city clerk is authorized and directed to affix or to cause to be affixed the seal of the city to such documents executed by the city manager and to attest such seal. Such officers or their designees are authorized to execute and deliver on behalf of the city such instruments, documents or certificates, and to do and perform such things and acts, as they shall deem necessary or appropriate to carry out the transaction authorized by this Resolution or contemplated by the Contract; and all of the foregoing, previously done or performed by such officers or agents of the city are in all respects approved, ratified and confirmed.

4. That the city is authorized to perform as required in connection with the Contract and such other requisite documents.

ADOPTED: _____

KERRY J. DONLEY MAYOR

ATTEST:

Beverly I. Jett, CMC City Clerk

EXHIBIT A

ALL THAT CERTAIN lot, piece or parcel of land situate, as now surveyed, lying and being in the City of Alexandria, Commonwealth of Virginia and more particularly described as follows to wit:

Said Beginning point, located on the northwesterly side of King Street (V.A. Route #7) and the southwesterly side of 28th Street at a point, said point being located 0.66 hundreds of a foot, from a scribe in a northwesterly direction, thence running and binding on said lines as recorded in DEED BOOK 23382 PAGE 1, thence leaving, said beginning point for the twelve (12) following courses and distances as now surveyed,

1. South 37° 42' 44" East 31.56 feet to a point, referenced by an iron pipe 0.23 hundreds of a foot west, thence
2. South 30° 40' 36" East 101.21 feet to a point, passing through a pipe on said line and 0.07 hundreds of a foot from the end thereof, thence
3. South 35° 46' 16" West 169.06 feet to an iron pipe held, thence
4. South 61° 02' 54" East 89.16 feet to a point, referenced by an iron pipe 0.70 hundreds of foot northwesterly, thence
5. South 28° 42' 37" West 73.22 feet to a point, referenced by an iron pipe 0.39 hundreds of a foot northwesterly, thence
6. North 81° 06' 46" West 69.62 feet to a point, passing through a pipe on said line and 0.65 hundreds of a foot from the end thereof, thence
7. North 08° 20' 40" East 28.91 feet to a point, referenced by a scribe 0.84 hundreds of a foot easterly, thence
8. By a curve to the left, having a radius of 125.00 feet, with an arc length of 107.19 feet, subtended by a chord bearing and distance of North 15° 32' 02" West 103.93 feet to a point, referenced by a iron pipe 0.72 hundreds of a foot southeasterly, thence
9. By a curve to the right, having a radius of 119.53 feet, with an arc length of 173.13 feet, subtended by a chord bearing and distance of North 01° 22' 54" East 158.39 feet to a point, referenced by an iron pipe 0.40 hundreds of a foot southeasterly, thence
10. North 42° 52' 31" East 66.11 feet to a point, referenced by scribe 0.28 hundreds of a foot southeasterly, thence
11. By a curve to the right, having a radius 25.00 feet, with an arc length of 30.49 feet, subtended by a chord bearing and distance of North 77° 49' 04" East 28.64 to a iron pipe held, thence
12. North 08° 53' 16" East 4.29 feet, to and iron pipe held being the point of beginning thereof, containing 34,824 square feet, or 0.8735 acres plus or minus

Being the same property conveyed by a deed dated October 20th, 2000 by and between Crescent Limited Partnership, a Virginia limited partnership ("Grantor"), and Aspen King Street, LLC, AVH King Street, LLC and RG King Street, LL each a Virginia limited liability company, as tenants-in-common (collectively "Grantee")

CONTRACT OF SALE

between

CITY OF ALEXANDRIA, VIRGINIA

and

ASPEN KING STREET, LLC,
AVH KING STREET, LLC, and
RG KING STREET, LLC,

dated

May 28, 2002

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LIST OF EXHIBITS

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Exhibit C	Rent Roll
Exhibit D	Property Agreements
Exhibit E	Personal Property Inventory
Exhibit F	Tenant Disputes

CONTRACT OF SALE

THIS CONTRACT OF SALE (hereinafter referred to as "Contract") is hereby entered into as of this 28th day of May, 2002, by and between CITY OF ALEXANDRIA, a municipal corporation of the Commonwealth of Virginia (hereinafter referred to as the "Buyer"), and ASPEN KING STREET, LLC, a Virginia limited liability company, AVH KING STREET, LLC, a Virginia limited liability company, and RG KING STREET, LLC, a Virginia limited liability company (hereinafter collectively referred to as the "Sellers").

RECITALS

A. Sellers are the owner of certain real property containing approximately 30,824 square feet of land located in the City of Alexandria, Virginia (the "City"), as more particularly described on Exhibit "A" attached hereto and incorporated herein by this reference (said real property, together with all improvements and fixtures thereon, including, without limitation, a six story office building containing approximately 59,782 square feet, and all rights, privileges, easements, benefits and agreements appurtenant thereto, is hereinafter referred to as the "Property," and the improvements and fixtures located on said tract of land are hereinafter sometimes collectively referred to as the "Improvements").

B. Sellers desire to sell the Property and Buyer desires to

purchase the Property in accordance with the terms and conditions hereinafter set forth.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual rights and obligations hereunder and the Deposit (as hereinafter defined), Buyer hereby agrees to buy and Sellers hereby agree to sell the Property upon the terms and conditions hereinafter set forth.

1. Deposit. Within three (3) business days after full execution of this Contract, Buyer shall deliver to Commonwealth Land Title Insurance Company (the "Escrow Agent"), a deposit (the "Deposit") in the amount of Ten Thousand and No/100 Dollars (\$10,000.00) in the form of Buyer's check drawn on an account with sufficient funds. Escrow Agent shall hold the Deposit in a federally insured interest-bearing account reasonably acceptable to Sellers and Buyer at a bank or other financial institution reasonably acceptable to Sellers and Buyer, and all interest accruing on the Deposit shall be deemed to be a part of the Deposit for all purposes hereunder. Escrow Agent shall hold the Deposit in accordance with the terms of the Escrow Agreement attached hereto as Exhibit "B" and incorporated herein by reference which shall be executed by Sellers, Buyer and Escrow Agent contemporaneously with delivery of the Deposit by Buyer to Escrow Agent.

2. Purchase Price; Payment. The purchase price for the

Property, the Personal Property (as hereinafter defined) and all other rights and properties transferred, assigned or conveyed by Sellers to Buyer hereunder (the "Purchase Price") shall be Eight Million One Hundred Fifty Thousand and No/100 Dollars

(\$8,150,000.00). The entire Purchase Price shall be payable by Buyer in cash or by certified or bank cashier's check or wire transfer of immediately available federal funds at closing. The Deposit shall be applied to the Purchase Price at closing.

3. Entry onto Property; Study Period. Commencing on the date of full execution hereof and for the entire term of this Contract, Buyer, at its sole cost and expense, shall have complete access to the Property at reasonable times and upon at least one (1) business day's prior notice to Seller, but subject to the rights of tenants at the Property, for the purpose of conducting such surveys, soil borings, soil analyses, engineering tests and studies, environmental tests and studies, economic and topographic tests, studies and investigations and any other tests, studies and investigations with respect to the Property or the Improvements located thereon or the Personal Property as Buyer may deem necessary in order to determine whether the Property is suitable for Buyer's intended use thereof; provided that (a) Buyer repairs any damage to the Property or the Personal Property caused in connection with such tests, studies and investigations; (b) Buyer shall not communicate with the

employees of Sellers' property management company, other than Mark C. Matan, concerning this Contract or any aspect of the transaction contemplated by this Contract; (c) Buyer shall coordinate with Sellers to ensure that all such tests and inspections shall be conducted in such a manner so as to not unreasonably disturb the tenants of the Property or unreasonably interfere with any of Sellers' activities at the Property; and (d) such tests or inspections shall not impair the structural integrity of the Improvements or the operations of the building operating systems located within the Improvements. Buyer represents and warrants to Sellers that it is self-insured with a single public liability and property damage limit of Two Million and No/100 Dollars (\$2,000,000.00), insuring against all liability of Buyer and its authorized representatives arising out of and in connection with Buyer's exercise of its right of entry under this paragraph 3. In the event that Buyer determines, in its sole discretion, that the Property is not suitable for Buyer's intended use thereof, then Buyer may terminate this Contract by delivery of written notice thereof to Sellers on or before the expiration of thirty (30) days after the date of full execution hereof (the "Study Period"), and thereupon the parties hereto shall have no further rights or obligations hereunder, except for those provisions of this Contract that expressly survive the termination of this Contract as set forth herein, and

the Deposit shall be returned to Buyer. To the extent permitted by law, Buyer shall defend, indemnify and hold Sellers harmless from and against all costs, expenses, and liabilities, including reasonable attorneys' fees and court costs, incurred by Sellers in connection with the tests, studies and investigations conducted by Buyer or its agents and contractors and/or their respective entries upon the Property pursuant to this Paragraph 3, and this indemnification provision shall survive the termination of this Contract for any reason or closing hereunder for a period of three (3) years only following the effective date of termination or closing.

4. Delivery of Documents. On or before the expiration of five (5) business days after the date of full execution of this Contract, Sellers agree to deliver to Buyer, at no cost or expense to Buyer, legible, true and correct copies of all of the following documents that relate to the Property or the Personal Property which are in the possession of or within the control of Sellers, or Sellers shall deliver written notice to Buyer certifying to Buyer that any of the following items do not exist, are not within the possession or control of any of the Sellers, or do not affect or relate to the Property or the Personal Property:

(a) the most current title insurance binder or title policy for the Property (Buyer hereby acknowledges receipt of the

same);

(b) operating statements of income and expense for the Property for calendar years 2000 and 2001 and the most current operating statements of income and expense for the current calendar year;

(c) the most recent survey and as-built survey, plans, site plans, specifications, and renderings for the Property;

(d) all certificates of insurance evidencing the insurance coverages presently in effect for the Property;

(e) all leases, licenses and other occupancy agreements presently in effect covering portions of the Improvements as of the date of this Contract, together with all modifications, amendments and extensions thereof (collectively, the "Leases"), together with a certified rent roll (the "Rent Roll") which shall be attached hereto as Exhibit "C" and incorporated herein by reference setting forth the name of the tenant under each of the Leases, the suite number in the Improvements covered by each of the Leases, the number of square feet comprising the suite subject to each of the Leases, the commencement date of each of the Leases, the term of each of the Leases, the rental payable under each of the Leases and any escalator applicable thereto, any delinquencies or defaults during the period of Sellers' ownership of the Property, the expense stop under each of the Leases (if applicable), the

renewal options under each of the Leases (if applicable), the amount of the security deposit under each of the Leases and the status of completion of any tenant improvements required to be constructed and installed by Sellers under each of the Leases;

(f) all operating and maintenance manuals for mechanical equipment, elevators, alarm systems and other building systems relating to the use and operation of the Property;

(g) all contracts, agreements and other documents pertaining to the operation, maintenance, management or leasing of the Property in effect with respect to the Property as of the date of this Contract, together with all amendments, modifications and extensions thereof (collectively, the "Service Contracts");

(h) all licenses, permits, zoning variances, special permits, occupancy permits, use permits, special exceptions or other similar zoning approvals and all other similar governmental authorizations relating to the use and operation of the Property;

(i) all documents relating to lawsuits or other proceedings before any governmental authority or quasi-governmental authority with respect to the ownership, operation, maintenance, management and/or leasing of the Property;

(j) all warranties and guaranties relating to the Property or the Personal Property; and

(k) any written notices received from any governmental

authorities or other parties relating to any violations or alleged violations relating to the Property or the Personal Property.

In the event that Sellers fail to deliver any of the foregoing documents to Buyer within such five (5) business day period, then the Study Period shall be extended by one (1) day for each day after the expiration of such time period until Sellers deliver to Buyer copies of all of the foregoing documents.

5. Conditions. Buyer's obligation to proceed to closing under this Contract shall be conditioned upon:

(a) passage of a resolution by the City Council of the City of Alexandria ("City Council"), approving this Contract and authorizing the acquisition of the Property, in accordance with the terms of this Contract; and

(b) approval by City Council of a special use permit which authorizes Buyer's proposed use of the Property. Sellers authorize Buyer to submit a special use permit application to the Department of Planning and Zoning of the City of Alexandria (the "City"). Sellers agree, at no cost or expense to Sellers, to cooperate with Buyer to the extent reasonably necessary for Buyer to obtain approval of the special use permit application by the appropriate governmental authorities of the City, and Sellers agree to execute such applications and other documents as may be

reasonably requested by Buyer and/or the appropriate governmental authorities in connection with the special use permit application, without any additional expense to Sellers and without creating any additional obligations of Sellers other than those obligations set forth herein, which applications and documents shall not be binding upon the Property if closing does not occur hereunder; and

(c) approval by Alexandria Planning Commission of acquisition of the Property by the City, as required by Section 9.06 of the Charter of the City of Alexandria; and

(d) Delivery by Sellers to Buyer of a fully executed amendment of the current lease (the "ARS Lease") with Automated Research Systems ("ARS"), pursuant to which the term of the ARS Lease shall expire on or before March 31, 2003. Sellers shall use commercially reasonable efforts to negotiate the amendment of the ARS Lease and shall submit their proposed amendment to the ARS Lease to Buyer for its review and approval, prior to delivery of such amendment to ARS for execution; and

(e) Delivery by Sellers to Buyer of a written notice previously delivered to TRW that its lease (the "TRW Lease") shall terminate on March 31, 2003, in accordance with the provisions of the TRW Lease.

In the event the foregoing conditions are not satisfied on or before the Outside Closing Date (as defined below), this

Contract shall terminate and thereupon the parties hereto shall have no further rights or obligations hereunder, except for those provisions of this Contract that expressly survive the termination of this Contract as set forth herein, and the Deposit shall be returned to Buyer.

6. Closing Date. Provided that all conditions precedent to Buyer's obligation to proceed to closing hereunder have been satisfied or waived, closing under the terms of this Contract shall be held at the offices of Escrow Agent, or such other location in the Northern Virginia area selected by Buyer, on a date specified in a written notice delivered by Buyer to Sellers at least ten (10) days prior to the specified date of closing; provided, closing shall occur no later than June 28, 2002 (the "Outside Closing Date"). Deposit with the party conducting closing of the cash required at closing, the Deed (as hereinafter defined), and such other papers as are required to consummate closing hereunder shall be considered good and sufficient tender of performance of the terms of this Contract. Neither party shall be required to attend closing in person.

7. Conveyance. The Property is to be conveyed by Special Warranty Deed (the "Deed") to Buyer.

8. Expenses. In addition to the allocation between Sellers and Buyer of other expenses under this Contract, the cost of the preparation of the Deed and other transfer documents, the

cost of obtaining releases of all monetary liens encumbering the Property, the Virginia Grantor's Tax and Sellers' attorneys' fees shall be paid by Sellers, and Buyer shall pay all expenses of examination of title, survey (if any), all reasonable fees, charges, and expenses of the party conducting closing, the title insurance premium, if any, Buyer's attorneys' fees and all recording fees and other closing expenses.

9. Prorations. Real estate taxes, rents and other payments under the Leases, all operating and utility costs with respect to the Property, charges under any Service Contracts and any other expenses in connection with the maintenance and operation of the Property are to be prorated to the date of closing and paid to or by Buyer thereafter. Any special assessments applicable to the Property for the period prior to closing shall be paid by Sellers prior to or at closing even in the event that the improvements applicable to such special assessments have not been completed as of the date of closing. Any special assessments applicable to improvements completed prior to the date of closing which are assessed after the date of closing but apply to the period prior to closing shall be paid by Sellers, and an allowance for such special assessments required to be paid by Sellers shall be made at the time of closing.

10. Title. Title to the Property is to be good of record and in fact, fully marketable and insurable by a recognized title

insurance company of Buyer's selection authorized to do business in the Commonwealth of Virginia at regular rates without exception, except for such matters which Buyer determines, in its sole discretion, are not acceptable to Buyer. Buyer agrees to obtain a title report or title commitment covering the Property within the Study Period (the "Title Commitment"). Buyer shall identify in writing to Sellers on or before the expiration of the Study Period any matters reflected on the Title Commitment which are not acceptable to Buyer in accordance with the foregoing provisions ("Title Objections"). Buyer reserves the right to identify as Title Objections any matters not reflected on the Title Commitment or arising after the effective date of the Title Commitment which are not acceptable to Buyer in accordance with the foregoing provisions. Sellers agree to diligently attempt to remedy any Title Objections identified by Buyer as set forth above, but Sellers shall not be required to expend in excess of the aggregate amount of Ten Thousand and No/100 Dollars (\$10,000.00) or pursue litigation to cure Title Objections (provided, however, that such \$10,000.00 limitation on Sellers' obligation to cure Title Objections does not apply to monetary liens, which Sellers shall be required to cause to be released at or prior to closing). In the event that Sellers are unable to cure any such Title Objections on or before the date of closing hereunder, then Buyer may, at its option, either (i) terminate

this Contract by delivery of written notice thereof to Sellers, whereupon Sellers and Buyer shall have no further rights or obligations hereunder, except for those provisions of this Contract that expressly survive the termination of this Contract as set forth herein, and the Deposit shall be returned to Buyer, or (ii) waive such Title Objections and proceed to close the transaction contemplated by this Contract in accordance with the terms hereof.

11. Representations and Warranties of Sellers and Buyer.

(a) Each of the Sellers represent and warrant to Buyer as follows:

(i) All of the Leases delivered to Buyer pursuant to Paragraph 4 above are presently in full force and effect, none of the Sellers are presently in default thereunder, and to the actual knowledge of each of the Sellers none of the tenants under the Leases are presently in default thereunder except as otherwise set forth on Exhibit "F" attached hereto, and no event has occurred under the Leases which would constitute a default after the expiration of any applicable grace period. No tenant under the Leases has prepaid any rents or other charges more than one (1) month in advance.

(ii) All of the documents delivered to Buyer pursuant to Paragraph 4 above are true, correct and complete copies of all such documents and any amendments or extensions

thereof, and there has been no material change in the status of the information provided in such documents. None of the Sellers are presently in default under any Service Contracts, and to the actual knowledge of each of the Sellers no other party is presently in default thereunder and no event has occurred under the Service Contracts which would constitute a default after the expiration of any applicable grace period.

(iii) After the date of full execution hereof, Sellers shall not (a) grant any easements, rights-of-way or other encumbrances over or through the Property, (b) enter into any new leases affecting all or any portion of the Property or, except as expressly required by this Contract, amend, cancel or modify any of the Leases, (c) enter into any agreements, proffers or other commitments affecting the Property or the Personal Property, (d) further encumber the Property or the Personal Property, or (e) construct or install any improvements or allow any existing Improvements or natural deposits to be wasted, removed, sold or in any way encumbered, without the prior written consent of the Buyer, which consent may be withheld by Buyer in its reasonable discretion.

(iv) None of the Sellers have received written notice of any violations of law or municipal ordinances, orders, or requirements noted or issued by any governmental department or authority having jurisdiction over or affecting the Property or

the Personal Property, nor do any of the Sellers have any actual knowledge of any such violations. Sellers shall be required to comply with any such written notices, orders or requirements not disputed by Sellers and noted or issued prior to the date of closing. In the event any such written notice, order or requirement is disputed by Sellers, and Sellers do not comply with the same prior to the date of closing, then Buyer may, at its option, either (i) terminate this Contract by delivery of written notice thereof to Sellers, whereupon Sellers and Buyer shall have no further rights or obligations hereunder, except for those provisions of this Contract that expressly survive the termination of this Contract as set forth herein, and the Deposit shall be returned to Buyer, or (ii) proceed to close the transaction contemplated by this Contract in accordance with the terms hereof.

(v) All bills and claims for labor performed and materials furnished to or for the benefit of the Property for all periods prior to the date of closing have been (or prior to the date of closing will be) paid in full, and on the date of closing there shall be no mechanics' liens or materialmen's liens, whether or not perfected, on or affecting any portion of the Property, and if there shall be any such liens, Sellers shall obtain the release of the same on or before the date of closing so that Buyer's owner's policy of title insurance shall contain

no exception for such liens. However, any bills, claims or liens relating to or arising from Buyer's pre-closing activities on the Property are expressly excluded from the provisions of this warranty. In connection therewith, Sellers agree, at closing, to execute any commercially reasonable affidavits or customary agreements, without indemnity obligations, which may be required by Buyer's title insurance company in order for Buyer to obtain from such title insurance company an owner's policy of title insurance covering the Property without exception for mechanics' liens or rights of parties in possession except for the rights of the tenants under the Leases.

(vi) To the actual knowledge of Sellers, there is no pending or threatened condemnation or similar proceeding affecting the Property or any part thereof.

(vii) Each of the Sellers is a limited liability company duly organized and validly existing under the laws of the Commonwealth of Virginia. Each of the Sellers has the power to enter into this Contract and to consummate the transaction contemplated herein and the execution of this Contract and the consummation of the transaction contemplated herein do not violate any of the terms and provisions of the organizational documents of any of the Sellers or any agreement, contract, or other instrument to which any of the Sellers is a party or is bound. Each party executing this Contract on behalf of each of

the Sellers has the authority to execute this Contract on such Seller's behalf and to bind such Seller hereunder. Sellers are the sole owners of the Property and shall continue to be the sole owners of the Property during the entire term of this Contract and as of the date of closing.

(viii) None of the Sellers have actual knowledge of any special assessments having been levied, threatened or pending against all or any part of the Property, and none of the Sellers have actual knowledge of any intended special assessments.

(ix) Except for the matters described in Paragraph 5 of this Contract, there are no legal actions, suits, zoning or rezoning actions, or other legal or administrative proceedings pending or, to the actual knowledge of each of the Sellers, threatened against any of the Sellers (including, without limitation, any voluntary or involuntary actions or suits pursuant to state or federal bankruptcy or other creditors' rights laws, statutes, rules or regulations) or affecting the Property or the Personal Property before any federal, state, county or municipal department, commission, board, bureau, agency or other governmental instrumentality.

(x) There are no parties in possession of any portion of the Property as lessees, other than the tenants under the Leases, or to the actual knowledge of Sellers, as tenants at

will or at sufferance, trespassers or otherwise.

(xi) Sellers have not entered into any contracts, agreements, commitments, or other agreements of any kind with any party other than Buyer relating to the sale of all or any portion of the Property or the Personal Property which are still in effect.

(xii) There are no contracts, commitments, proffers, obligations, leases or other agreements of any kind which relate to the Property other than the Leases and the Service Contracts which are not recorded among the land records of the County other than the matters set forth on Exhibit "D" attached hereto and incorporated herein by reference.

(xiii) Intentionally Omitted.

(xiv) All tenant improvements required to be constructed or installed by Sellers under the Leases have been completed and fully paid for except as otherwise provided in the Rent Roll.

(xv) To the actual knowledge of Sellers, all building permits, certificates of occupancy and other permits and authorizations necessary in connection with the construction, use, operation or occupancy of the Improvements have been obtained and fully paid for and are in full force and effect.

(xvi) Except as described on Exhibit "F" attached hereto and incorporated herein by reference, Sellers are not

engaged in any disputes with any tenants under the Leases, and no Tenant has indicated to Sellers in writing an intention to engage in any dispute with Sellers in connection with such tenant's Lease or its occupancy of the Improvements.

As used in this Contract, the words "Sellers' knowledge" or "Sellers' actual knowledge" or words of similar import shall be deemed to mean, and shall be limited to, the actual (as distinguished from implied, imputed or constructive) knowledge of Sellers after, and based solely upon, making inquiry of Mark C. Matan, the person responsible for the subject matter of the representations and warranties of Sellers contained in this Paragraph 11 and Paragraph 12 below, in his capacity as an officer of Matan Property Management, Inc. ("Matan Property"), the company charged with the management responsibility for the Property, and in his capacity as the authorized representative of each of the Sellers, without Mark C. Matan having any obligation to make an independent inquiry or investigation. For purposes of the representations and warranties contained in this Paragraph 11 and Paragraph 12 below, written notices, orders, correspondence or other communications concerning the Property and received by Matan Property shall be deemed to have been received by Sellers.

(b) Buyer represents and warrants to Sellers as follows:

(i) Buyer is a municipal corporation of the

Commonwealth of Virginia. Buyer has the power to enter into this Contract and to consummate the transaction contemplated herein and the execution of this Contract and the consummation of the transaction contemplated herein do not violate any agreement, contract, or other instrument to which Buyer is a party or is bound. The party executing this Contract on behalf of Buyer has the authority to execute this Contract on Buyer's behalf and to bind Buyer hereunder.

(ii) Buyer has not received any actual notice of any legal actions, suits, claims, or other legal or administrative proceedings pending or threatened against Buyer which might adversely affect Buyer's ability to consummate the transaction contemplated by this Contract.

(c) It shall be a condition precedent to Sellers' and Buyer's obligation to close hereunder that all of the representations and warranties of the other party contained in this Paragraph 11 and in Paragraph 12 below shall be true and correct in all material respects at the date of closing, just as though the same were made at such time. Buyer's and Sellers' right to enforce such representations and warranties of the other party shall not be merged into any documents delivered by Sellers at closing and shall survive the closing for a period of one (1) year only following the date of closing, and no action, suit or claim based thereon shall be commenced or filed subsequent to the

date which is eighteen (18) months after the date of closing.

In the event that prior to closing hereunder Buyer or Sellers learn that any of the representations and warranties of the other party set forth in this Paragraph 11 or Paragraph 12 below are not true and correct in any material respect, then Buyer or Sellers (as the case may be), at their option, may either (i) terminate this Contract by delivery of written notice thereof to the other party and thereupon the Deposit shall be returned to Buyer and the parties hereto shall have no further rights or obligations hereunder, except for those provisions of this Contract that expressly survive the termination of this Contract as set forth herein, or (ii) proceed to closing hereunder in accordance with the terms hereof.

(d) The Property shall be sold and conveyed in its "AS-IS, WHERE-IS" condition, with all existing defects (either latent or patent), at closing, without any representations or warranties whatsoever, express or implied, with all representations and warranties being hereby waived by Buyer, except as otherwise provided in this Contract. Buyer, in purchasing the Property, is relying upon its due diligence and the opportunity provided under Paragraph 3 hereof to fully apprise itself of all matters relating to or otherwise affecting the Property. Buyer expressly acknowledges that neither Sellers nor any real estate broker, agent, employee, servant or

representative of Sellers have made any representation whatsoever regarding the subject matter of this transaction or any fact relating thereto, including, without limitation, representations as to the physical nature or condition of the Property to be conveyed by Sellers, zoning laws, rules, laws, and regulations, environmental matters, water, sewer or other utilities, development or other expenses, taxes or assessments, operating expenses or repairs, existing or future operation of the Property, or any other matter or thing affecting or relating to the Property to be conveyed or the operation thereof, except as specifically set forth in this Contract.

12. Environmental Matters. Each of the Sellers hereby expressly represents and warrants to Buyer that, during Sellers' ownership of the Property, except for the use of ordinary quantities of cleaning, pest control, office and maintenance supplies at the Property, and except as may be otherwise disclosed on the Phase I environmental assessment for the Property to be completed by Buyer during the Study Period, no hazardous substances or hazardous materials have been released, deposited, stored or placed in, on, under or above the Property by any of the Sellers, and to the actual knowledge of each of the Sellers, by any other party, including, but not limited to, the tenants at the Property. Each of the Sellers further represents and warrants to Buyer that, to the actual knowledge of each of

the Sellers, no such hazardous substances or hazardous materials currently exist in, on, under or above the Property such that their existence would violate applicable laws, ordinances, statutes and regulations. As used herein, all references to hazardous materials and raw materials, products or waste of a toxic or hazardous nature shall mean and refer to hazardous waste as that term is defined in the Resource Conservation and Recovery Act of 1976 (42 U.S.C. Section 6901, et seq.), the Comprehensive Environmental Response Compensation and Liability Act of 1980 (42 U.S.C. Section 9601, et seq.), or under any other federal, state or local law, ordinance, statute, rule or regulation, including, without limitation, any asbestos or asbestos-related products and any oils or pesticides. Notwithstanding anything contained herein to the contrary and in addition to any of Buyer's other remedies hereunder, Sellers agree to indemnify, defend and hold Buyer harmless from and against any and all costs, expenses, liabilities and causes of action which may be incurred by Buyer or asserted against Buyer (including, without limitation, clean-up costs, court costs, reasonable attorneys' fees and claims and fines imposed by any governmental agencies or third parties) in the event of a breach of Sellers' representations and warranties contained in this Paragraph 12. The foregoing indemnification provision shall survive closing hereunder for a period of three (3) years following the effective date of closing.

13. Conditions to Closing. In addition to all other conditions contained in this Contract to Buyer's obligation to proceed to closing hereunder, Buyer's obligation to proceed to closing is expressly contingent upon the satisfaction of the following conditions

(a) On the date of closing, no action (such as the imposition of a sewer, water or building moratorium) shall have been taken or shall have been publicly announced to be taken or threatened to be taken by any applicable governmental authority which materially and adversely affects obtaining and/or maintaining building or occupancy permits or access to water and sewer facilities or other utilities to serve the Improvements on the Property, or which materially and adversely affects the continued use and operation of the Property.

(b) There shall have occurred no material adverse change in the physical condition of the Property and the Personal Property from the condition which existed as of the date of full execution of this Contract.

(c) There shall have been no material adverse change in the Rent Roll from the Rent Roll attached hereto as Exhibit "C".

In the event that on the date of closing any of the foregoing conditions remain unsatisfied, then Buyer, at its option, may either (i) terminate this Contract by delivery of written notice

thereof to Sellers, and thereupon the parties hereto shall have no further rights or obligations hereunder, except for those provisions of this Contract that expressly survive the termination of this Contract as set forth herein, and the Deposit shall be returned to Buyer, or (ii) waive the satisfaction of such condition and proceed to closing hereunder in accordance with the terms hereof.

14. Sellers' Obligations at Closing. At the closing hereunder, Sellers shall do the following:

(a) Execute and deliver the Deed.

(b) Execute and deliver a Bill of Sale, whereby Sellers transfer and convey to Buyer all of their right, title and interest in and to all furniture, furnishings, appliances, apparatus, equipment, tools, machinery and other items of personal property owned by Sellers and attached to or situated upon the Property and the Improvements including (without limitation) the items listed on Exhibit "E" attached hereto and incorporated herein by reference (the "Personal Property"), free and clear of all liens, security interests and encumbrances.

(c) Execute and deliver an Assignment of Leases, assigning all of Sellers' right, title and interest as landlord under all Leases including, without limitation, all security deposits thereunder. Buyer shall assume Sellers' obligations under the Leases as of the date of closing, and Sellers shall indemnify,

defend and hold Buyer harmless from and against any and all costs, expenses, liabilities and causes of action arising or accruing under the Leases prior to the date of closing and, to the extent permitted by law, Buyer shall indemnify, defend and hold Sellers harmless from and against any and all costs, expenses, liabilities and causes of action arising or accruing under the Leases from and after the date of closing. Sellers shall be responsible for the payment of all leasing commissions payable with respect to the Leases which are entered into prior to closing. The respective indemnification obligations of Sellers and Buyer shall survive for a period of three (3) years following the effective date of closing.

(d) Execute and deliver an Assignment of Service Contracts, assigning to Buyer all of Sellers' right, title and interest under the Service Contracts. Sellers shall indemnify, defend and hold Buyer harmless from and against any and all costs, expenses, liabilities and causes of action arising or accruing under such Service Contracts prior to the date of closing, and, to the extent permitted by law, Buyer shall indemnify, defend and hold Sellers harmless from and against any and all costs, expenses, liabilities and causes of action arising or accruing under such Service Contracts from and after the date of closing. The respective indemnification obligations of Sellers and Buyer shall survive for a period of three (3) years following

the effective date of closing.

(e) Execute and deliver an Assignment, whereby Sellers shall assign to Buyer, to the extent assignable, all of Sellers' right, title and interest in and to (i) any warranties, guaranties, licenses, permits and similar documents which relate to the ownership and operation of the Property or the Personal Property, (ii) any trade names used in connection with the operation and management of the Property, and (iii) any site plans, surveys, studies, plans and specifications, engineering plans and other similar matters which relate to the Property, the Improvements, the Leases or the Personal Property (the items described in subparagraphs (i) through (iii) above are collectively referred to as the "Intangibles").

(f) Deliver to Buyer an estoppel letter from each of the tenants under the Leases, stating that as of the date of closing (i) such party is the tenant under the subject Lease, (ii) the subject Lease is still in full force and effect, (iii) Sellers are not in default under the subject Lease, (iv) the portion of the Improvements covered by such Lease, (v) such Lease has not been modified or amended, (vi) the monthly rental payable under the subject Lease, (vii) such tenant has not prepaid rental or any other charges any more than one (1) month in advance, (viii) the amount of the security deposit under the subject Lease, and (ix) Sellers have completed all required tenant build-

out work under the Lease in the manner required by the Lease.

(g) Intentionally Omitted.

(h) Intentionally Omitted.

(i) Deliver to Buyer an updated, certified Rent Roll.

(j) Intentionally Omitted.

(k) Deliver to Buyer a certified resolution and/or any other evidence required by Buyer evidencing that the parties executing this Contract and all closing documents on behalf of Sellers are duly authorized and empowered to execute this Contract and all documents necessary to consummate the transaction under this Contract and upon the execution of such documents by said parties, such documents shall be binding and enforceable against Sellers.

(l) Intentionally Omitted.

(m) Execute and deliver to Buyer a certificate to the effect that all of the representations and warranties of Sellers pursuant to Paragraphs 11 and 12 hereof are true and correct in all material respects as of the date of closing.

(n) Deliver to Buyer original counterparts (if in possession or control of any of the Sellers) of all Leases, Service Contracts and Intangibles not previously delivered to Buyer.

15. Buyer's Obligations at Closing. At the closing hereunder, Buyer shall do the following:

(i) Pay the Purchase Price pursuant to Paragraph 1 hereof, and other costs of closing as provided herein.

(ii) Join in the execution of the Assignment of Leases, Assignment of Service Contracts and Assignment pursuant to Paragraph 14.

(iii) Execute and deliver all such customary documents and affidavits which may be required pursuant to the terms of this Contract or by Buyer's title insurance company in order to consummate closing hereunder.

16. Operation and Maintenance of the Property and Personal Property. After the effective date of this Contract until closing, Sellers shall cause the Property and the Personal Property to be operated in the same manner as the Property and the Personal Property are presently operated. During the period between the date of full execution hereof and closing, Sellers, at their sole cost and expense, shall cause the Property and the Personal Property to be maintained in the same condition as the same is in as of the date of full execution hereof, ordinary wear and tear excepted. In addition, during the period between the date of full execution hereof and closing, Sellers, at their sole cost and expense, shall continue to maintain in full force and effect all insurance policies currently maintained by Sellers covering the Property and the Personal Property.

17. Default; Remedy.

(a) In the event that all of the conditions precedent to Buyer's obligations hereunder have been satisfied or waived and Sellers perform all of their obligations hereunder and Buyer fails to close on the Property pursuant to the terms hereof in breach of the terms of this Contract, Sellers, as their sole and exclusive remedy, shall be entitled to terminate this Contract by delivery of written notice to Buyer and thereupon the Deposit shall be delivered by Escrow Agent to Sellers and retained by Sellers as full liquidated damages, in lieu of any other claims or causes of action which may be available to Sellers at law or in equity by reason of such default hereunder by Buyer; the foregoing forfeiture of the Deposit to Sellers is agreed upon as liquidated damages by the parties hereto because of the difficulty of ascertaining the actual damages Sellers may suffer by reason of Buyer's breach of this Contract.

(b) In the event that all of the conditions precedent to Sellers' obligations hereunder have been satisfied or waived and Buyer performs all of its obligations hereunder, and Sellers fail to close on the Property pursuant to the terms hereof in breach of the terms of this Contract, then Buyer, at its option, (i) may terminate this Contract by delivery of written notice to Sellers, in which event the Deposit shall be returned to Buyer and the parties hereto shall have no further rights or

obligations hereunder, except for those provisions of this Contract that expressly survive the termination of this Contract as set forth herein, or (ii) may pursue specific performance of this Contract in lieu of any other claims or causes of action which may be available to Buyer at law or in equity by reason of such default hereunder by Sellers.

18. Parties Bound. Subject to Paragraph 26 below, this Contract shall inure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

19. Commission. Sellers agree to pay to Simpson Properties (the "Buyer's Broker") a real estate commission in connection with this transaction pursuant to a separate agreement between such parties. Sellers agree to pay to Matan Realty, Inc. (the "Sellers' Broker") a real estate commission in connection with this transaction pursuant to a separate agreement between such parties (with Buyer's Broker and Sellers' Broker being herein referred to as the "Brokers"). Except for the Brokers, each of the Sellers and Buyer represent and warrant that they have dealt with no agent or broker with respect to the transaction contemplated by this Contract. In the event that any claim for commission or finder's fee is brought by any person or entity whatsoever in connection with the transaction contemplated hereby and as a result of any action or omission of any of the Sellers

or Buyer, then Sellers or Buyer (whichever party is alleged to have committed the act or omission which is the basis of such claim), as the case may be, to the extent permitted by law, shall indemnify, defend and hold harmless the other party against any loss, cost, or expense of any nature, including, but not limited to, court costs and reasonable attorneys' fees, arising as a result of such claim for the commission or fee.

20. Applicable Law. This Contract shall be construed in accordance with the laws of the Commonwealth of Virginia.

21. FIRPTA. Each of the Sellers hereby represents and warrants to Buyer that none of the Sellers are a "foreign person" within the meaning of Section 1445 of the Internal Revenue Code of 1986, as amended, and Sellers further agree, at closing, to furnish Buyer an affidavit to this effect complying with the provisions of Section 1445 of the Internal Revenue Code of 1986, as amended. In addition, at closing Sellers agree to execute all customary reporting forms required in order to comply with federal, state and local reporting requirements for this transaction.

22. Possession. Possession of the Property shall be given to Buyer on the date of closing, free and clear of all tenancies and other possessory rights whatsoever, except for the rights of tenants under the Leases.

23. Non-Merger. Except as expressly provided in this

Contract, the provisions of this Contract shall survive the execution and delivery of the Deed covering the Property and shall not be merged therein and shall survive the closing hereunder for a period of one (1) year only following the date of closing and no action, suit or claim based thereon shall be commenced or filed subsequent to the date which is eighteen (18) months after the date of closing. Notwithstanding the foregoing, the indemnification provisions set forth in this Contract shall survive for the period stated in this Contract.

24. Total Agreement. This Contract (including all Exhibits hereto) contains the full and final agreement between the parties hereto with respect to the sale and purchase of the Property. Buyer and Sellers shall not be bound by any terms, conditions, statements, representations or warranties, oral or written, not contained herein. No change or modification of this Contract shall be valid unless the same is in writing and is signed by the parties hereto. No waiver of any of the provisions of this Contract shall be valid unless the same is in writing and is signed by the party against which it is sought to be enforced.

25. Notices. All notices, demands, or other communications that may be necessary or proper hereunder shall be deemed duly given if personally delivered upon delivery (or at such time as delivery is not accepted by the intended recipient), when deposited with Federal Express or other reputable overnight

delivery service, when deposited in the United States mail, postage prepaid, first class, registered or certified, return receipt requested, or when sent by facsimile with a confirmation of receipt, addressed respectively as follows:

Buyer: City of Alexandria
Department of General Services
421 King Street
Suite 200
Alexandria, Virginia 22314
Attention: Director of General Services
Fax Number: (703) 519-3332

with a copy to: City of Alexandria
Office of the City Attorney
301 King Street
Suite 1300
Alexandria, Virginia 22314
Attention: City Attorney
Fax Number: (703) 838-4810

Sellers: Aspen King Street, LLC
AVH King Street, LLC
RG King Street, LLC
c/o Matan Property Management, Inc.
4600 Wedgewood Boulevard
Suite A
Frederick, Maryland 21703
Attention: Mark C. Matan
Fax Number: 301-694-9214

Escrow Agent: Commonwealth Land Title Insurance
Company 10513 Judicial Drive, 2nd Floor
Fairfax, Virginia 22030
Attention: Keith Cruttenden
Fax Number: (703) 385-2821

Any party hereto may change its address for notice purposes hereunder by delivering written notice thereof to the other parties in accordance with the foregoing provisions.

26. Assignment. Buyer shall not assign this Contract in

whole or in part without the prior consent of Sellers.

27. Time. Time is of the essence with respect to all matters set forth in this Contract.

28. Risk of Loss. The risk of loss for damage to Property or any improvements or fixtures located thereon by fire or other casualty is hereby assumed by Sellers until the closing hereunder.

29. Condemnation. Sellers agree to give Buyer prompt notice of any actual or threatened taking of all or any portion of the Property by condemnation or eminent domain prior to the date of closing hereunder. In the event that prior to closing hereunder there shall occur a taking by condemnation or eminent domain of all or any portion of the Property or a proposed conveyance to a condemning authority in lieu of condemnation, then Buyer, at its option, may either (i) terminate this Contract by delivery of written notice thereof to Sellers, and thereupon the parties hereto shall have no further rights or obligations hereunder, except for those provisions of this Contract that expressly survive the termination of this Contract as set forth herein, and the Deposit shall be returned to Buyer, or (ii) proceed to closing hereunder, in which event Sellers shall assign to Buyer at closing all interest of Sellers in and to any condemnation proceeds that may be payable to Sellers on account of such condemnation and thereupon Buyer shall control all

negotiations and proceedings undertaken with the condemning authority with respect to the Property; Buyer shall receive a credit at closing in the amount of any condemnation proceeds paid to Sellers with respect to the Property prior to the date of closing.

30. Headings. The paragraph headings contained in this Contract are for reference purposes only and shall not affect in any way the meaning or interpretation of this Contract.

31. Weekends and Holidays. Any date specified in this Contract for the performance of an obligation or expiration of a time period which is a Saturday, Sunday or a legal holiday shall be extended to the first regular business day after such date which is not a Saturday, Sunday or a legal holiday.

32. Counterpart Originals. This Contract may be executed in multiple original counterparts, each of which shall be an original, but all of which shall constitute one and the same Contract.

33. Litigation. Intentionally Omitted.

34. No Partnership. Notwithstanding anything contained herein to the contrary, it is not the intention of the parties hereto to create under any circumstances a partnership or a joint venture. The rights, duties, obligations and liabilities of Sellers and Buyer hereunder are separate and not joint or collective, and nothing herein shall ever be construed to create

a partnership or joint venture under the laws of the Commonwealth of Virginia. For all purposes under this Contract, the relationship of the parties hereunder shall be deemed to be a relationship of seller and buyer.

35. Tax Deferred Exchange. Sellers may, at their option, elect to designate one or more improved and/or unimproved tracts of land to be acquired by Buyer and conveyed to Sellers as full or partial consideration for the conveyance by Sellers to Buyer of the Property (any such tract designated by Sellers is hereinafter referred to as "Exchange Property") to consummate a tax-deferred exchange pursuant to Section 1031 of the Internal Revenue Code of 1986, as amended, and the regulations enacted thereunder (the "Code"). Sellers shall, at their option, designate the Exchange Property by delivery of written notice thereof to Buyer within the time periods provided in the Code. Buyer agrees to execute all such documents as may be reasonably necessary in order for Buyer to acquire, at Sellers' option, the Exchange Property and cause the Exchange Property to be conveyed to Sellers as full or partial consideration for the conveyance by Sellers to Buyer of the Property; provided, however, that all such documents shall be reasonably acceptable to Buyer in form and substance and Buyer shall incur no additional expense or liability in connection with the Exchange Property. In addition, Sellers agree to structure any exchange pursuant to this

paragraph in a manner so that the Exchange Property shall be conveyed by the seller thereof directly to Sellers and Buyer shall at no time become the owner of the Exchange Property. Sellers agree to indemnify, defend and hold Buyer harmless from and against all costs, expenses, liabilities and causes of action incurred by Buyer or asserted against Buyer in connection with the acquisition and conveyance of the Exchange Property to Sellers in consummation of the foregoing exchange. Buyer's sole obligation to pay any sum of money pursuant to this Contract is limited to payment of the Purchase Price and all other closing expenses in connection with the Property in accordance with the terms hereof, and in the event that such sum is not sufficient for Buyer to pay the purchase price and all closing expenses required to be paid to acquire the Exchange Property and cause the same to be conveyed to Sellers, then such deficiency shall be advanced by Sellers at closing on the Exchange Property. Sellers expressly acknowledge that Buyer, by assisting Sellers in the consummation of the exchange contemplated by this paragraph, is making no representations or warranties whatsoever with respect to whether or not the exchange contemplated by Sellers will qualify as a tax-deferred exchange pursuant to Section 1031 of the Code, and Buyer shall have no liability whatsoever to Sellers in the event that it is determined or adjudged that this exchange transaction does not qualify as a tax-deferred exchange

pursuant to Section 1031 of the Code.

Sellers shall be entitled, at their option, to consummate the exchange in a simultaneous or non-simultaneous manner pursuant to Section 1031 of the Code. Notwithstanding anything contained in this paragraph to the contrary, in the event that (i) Sellers fail to designate the Exchange Property prior to the date of closing hereunder, (ii) Buyer is unable to acquire the Exchange Property and cause the same to be conveyed to Sellers on the date of closing hereunder through no fault of Buyer, or (iii) Sellers elect to structure a non-simultaneous exchange, then such events shall not in any way impair the rights and obligations of parties hereto with respect to the Property, and the closing of the conveyance of the Property by Sellers to Buyer shall occur on the closing date specified in this Contract.

[Signatures On Following Page]

IN WITNESS WHEREOF, the parties hereto have executed this Contract or caused this Contract to be executed effective as of the later of the dates of execution set forth below, which later date shall be the effective date hereof and shall be inserted on page 1 of this Contract.

WITNESS:

BUYER:

CITY OF ALEXANDRIA, VIRGINIA, a municipal corporation of the Commonwealth of Virginia

By: *Philip Sunderland*
Philip Sunderland, City Manager
Date: 5/23/02

WITNESS:

SELLERS:

ASPEN KING STREET, LLC, a Virginia limited liability company

By: *Mark C. Matan*
Mark C. Matan, Authorized Agent
Date: 5/28/02

AVH KING STREET, LLC, a Virginia limited liability company

By: *Mark C. Matan*
Mark C. Matan, Authorized Agent
Date: 5/28/02

RG KING STREET, LLC, a Virginia limited liability company

By: *Mark C. Matan*
Mark C. Matan, Authorized Agent
Date: 5/28/02

APPROVED AS TO FORM:

John
ASSISTANT CITY ATTORNEY

Exhibit A

Description of Property

ALL THAT CERTAIN lot, piece or parcel of land, situate, lying and being in the City of Alexandria, Virginia, and more particularly described as follows:

Beginning at a point at the intersection of the Southwesterly right-of-way line of King Street (Virginia Route #7) and the Southeasterly right-of-way line of 28th Street South; thence with the Southwesterly right-of-way line of King Street, South $37^{\circ} 42' 44''$ East 31.56 feet and South $30^{\circ} 40' 36''$ East 101.21 feet to a point on the Northwesterly line of the James S. Kaylor property; thence departing from the said Southwesterly right-of-way line of King Street and running with the Northwesterly line of Kaylor South $35^{\circ} 46' 16''$ West 169.06 feet to a point; said point being also the Southwest corner of the Kaylor property; thence running with said Kaylor property South $61^{\circ} 02' 54''$ East 89.16 feet to a point; thence South $28^{\circ} 42' 37''$ West 73.22 feet to a point; thence North $81^{\circ} 06' 46''$ West 69.62 feet to a point on the Easterly right-of-way line of the aforementioned 28th Street South; thence with the Easterly right-of-way line of 28th Street South the following courses: North $08^{\circ} 20' 40''$ East 28.91 feet to a point; with a curve to the left whose radius is 125.00 feet (whose chord is North $15^{\circ} 32' 02''$ West 103.93 feet) an arc distance of 107.19 feet; with the arc of a curve to the right whose radius is 119.53 feet (whose chord is North $01^{\circ} 22' 54''$ East 158.39 feet) an arc distance of 173.13 feet; North $42^{\circ} 52' 31''$ East 66.11 feet; with a curve to the right whose radius is 25.00 feet (whose chord is North $77^{\circ} 49' 04''$ East 28.64 feet) an arc distance of 30.49 feet and North $08^{\circ} 53' 16''$ East 4.29 feet to the point of beginning.

Being all the same property known as "Resubdivision of Lot 502 and Lot 601 Bruce E. Lambert, Trustee, and Green Acres and the former Ralph H. Stowe Property" as described in a Deed of Consolidation recorded in Deed Book 11146 at page 1765, among the land records of the City of Alexandria, Virginia.

Exhibit B

Escrow Agreement

May 28, 2002

Commonwealth Land Title Insurance Company
10513 Judicial Drive, 2nd Floor
Fairfax, Virginia 22030
Attention: Keith Cruttenden

Re: Escrow Deposit under Contract of Sale between City of Alexandria, Virginia ("Buyer") and Aspen King Street, LLC, AVH King Street, LLC and RG King Street, LLC (collectively, the "Sellers")

Ladies and Gentlemen:

Delivered herewith by Buyer to you (the "Escrow Agent") is the sum of Ten Thousand and No/100 Dollars (\$10,000.00) as the deposit ("Deposit") under the above-captioned contract (the "Contract") in the form of Buyer's check drawn on an account with sufficient funds.

The Deposit shall be delivered by the Escrow Agent to Buyer upon the expiration of five (5) business days after Buyer's certification to Escrow Agent stating that Sellers are in default under the Contract, specifying Sellers' default, and stating that Buyer is entitled to a return of the Deposit, or that Buyer has terminated the Contract pursuant to a termination right permitted under the Contract and is entitled to a return of the Deposit, with a copy of said certification simultaneously being delivered by Buyer to Sellers. However, if prior to the expiration of such five (5) business day period Sellers send written notice to the Escrow Agent disputing Buyer's entitlement to the Deposit, then Escrow Agent shall retain the Deposit until such dispute is resolved by (i) written instructions to the Escrow Agent signed by Sellers and Buyer, or (ii) a decree by a court of competent jurisdiction and the expiration of all appeal periods.

The Escrow Agent shall deliver the Deposit to Sellers upon the expiration of five (5) business days after Sellers' certification to the Escrow Agent stating that Buyer is in default under the Contract, specifying Buyer's default, and stating that Sellers are entitled to a forfeiture of the Deposit, with a copy of said certification simultaneously being delivered by Sellers to Buyer. However, if prior to the expiration of such five (5) business day period Buyer sends written notice to the Escrow Agent disputing such default, then Escrow Agent shall

retain the Deposit until such dispute is resolved by (i) written instructions to the Escrow Agent signed by Sellers and Buyer, or (ii) a decree by a court of competent jurisdiction and the expiration of all appeal periods.

Escrow Agent shall hold the Deposit in an interest-bearing account (which identifies the fact that Escrow Agent is holding the Deposit, in escrow, pursuant to the terms of this escrow letter and that Escrow Agent has no ownership interest in the Deposit) pursuant to Paragraph 1 of the Contract, and the Deposit shall not be commingled with any other funds of Escrow Agent.

In no event shall the Escrow Agent be liable for any act or failure to act under the provisions of this escrow letter except where its acts are the result of its gross negligence or willful wrongdoing. The Escrow Agent shall perform no further duties other than those hereinabove described.

Sellers and Buyer hereby indemnify the Escrow Agent against any loss, liability, or damage (including costs of litigation and counsel fees) arising from and in connection with the performance of its duties under this escrow letter. Should any dispute arise with respect to this escrow letter, whether such dispute arises between the parties hereto and others, or merely between themselves, it is understood and agreed that the Escrow Agent may interplead such dispute and Sellers and Buyer will hold the Escrow Agent harmless and indemnify it against all consequences and expenses which may be incurred by the Escrow Agent in connection therewith.

The fee of the Escrow Agent for its services hereunder shall be paid by Buyer.

Please indicate your receipt of the Deposit and your acceptance of the foregoing provisions of this escrow letter by signing two copies of this letter.

[Signatures On Following Page]

Very truly yours,

BUYER:

CITY OF ALEXANDRIA, VIRGINIA, a
municipal corporation of the
Commonwealth of Virginia

APPROVED AS TO FORM:

Stan
ASSISTANT CITY ATTORNEY

By: *Philip Sunderland*
Philip Sunderland City Manager
Date: 5/23/02

SELLERS:

ASPEN KING STREET, LLC, a Virginia
limited liability company

By: *Mark C. Matan*
Mark C. Matan, Authorized Agent
Date: 5/28/02

AVH KING STREET, LLC, a Virginia
limited liability company

By: *Mark C. Matan*
Mark C. Matan, Authorized Agent
Date: 5/28/02

RG KING STREET, LLC, a Virginia
limited liability company

By: *Mark C. Matan*
Mark C. Matan, Authorized Agent
Date: 5/28/02

Exhibit C

Rent Roll

See attached Rent Roll

Matan Property Management Rent Roll

Property Name: 4480 King Street

Occupant	Lease ID	Suite	Building	Sq. Ft.	Commence	Expiration	Term	Rent	Other	Pass-Thru	Total Monthly	R/SF	P/SF	G/SF
4480 King Street (KST)											4480 King Street, Alexandria VA			
Automation Research	000838	600+	KST	36,000	10/03/00	09/30/05	5.0	64,260.00		9,705.79	73,965.79	21.42	3.24	24.66
TRW	000839	300	KST	10,000	04/01/99	03/31/03	4.0	18,958.33			18,958.33	22.75		22.75
Vacant Suite, \$21.50 psf		500	KST	10,000							-0-			
Total for: 4480 King Street		Building SF:		56,000				Total Monthly Income:			\$92,924.12			24.24
		Vacant SF:		10,000	17.9%				Vacancy for May-02:		17,916.67			21.50
Total for All Buildings		Building SF:		56,000				Total Monthly Income:			\$92,924.12			24.24
		Vacant SF:		10,000	17.9%				Vacancy for May-02:		17,916.67			21.50

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Exhibit D

Property Agreements

See Attached List

Exhibit E

Personal Property Inventory

NONE

Exhibit F

Tenant Disputes

NONE

RESOLUTION NO. 2034

WHEREAS, the City of Alexandria, Virginia, desires to acquire 34,824 square feet of land, more or less, located at 4480 King Street, within the City of Alexandria, the said land being shown on a plat entitled "ALTA/ACSM Land Title Survey of #4480 King Street" dated May 29, 2002, and prepared by AB Consultants, Inc., and more particularly described on Exhibit A attached hereto and incorporated herein by this reference, together with a six-story office building, all other improvements and fixtures on the said land, and all rights, privileges, easements, benefits and agreements appurtenant thereto (collectively, the "Property"); and

WHEREAS, the City of Alexandria is empowered by section 13.01 of its charter to acquire private property for the purpose of carrying out its powers and duties; and

WHEREAS, the City Council is of the opinion that a public necessity exists for the acquisition by the City of Alexandria of the Property for purposes of the location of offices of the city's health department and other city facilities, and so finds; and

WHEREAS, the land records of the City of Alexandria indicate that the owners of the Property are Aspen King Street, LLC, a Virginia limited liability company, AVH King Street, LLC, a Virginia limited liability company, and RG King Street, LLC, a Virginia limited liability company; and

WHEREAS, the city attorney has negotiated, and the city manager has executed, a Contract of Sale, for the acquisition of the Property by the City of Alexandria (the "Contract");

**NOW, THEREFORE, BE IT RESOLVED BY THE
CITY COUNCIL OF ALEXANDRIA, VIRGINIA:**

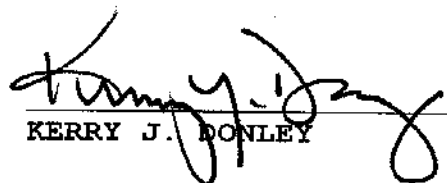
1. That, pursuant to the provisions of section 13.01 of the Charter of the City of Alexandria, the acquisition of the Property is approved.

2. That the Contract, in the form presented to Council, is approved, ratified and confirmed.

3. That the city manager is authorized to execute on behalf of the city such other requisite documents in connection with the settlement of the transaction contemplated by the Contract, and, if required, the city clerk is authorized and directed to affix or to cause to be affixed the seal of the city to such documents executed by the city manager and to attest such seal. Such officers or their designees are authorized to execute and deliver on behalf of the city such instruments, documents or certificates, and to do and perform such things and acts, as they shall deem necessary or appropriate to carry out the transaction authorized by this Resolution or contemplated by the Contract; and all of the foregoing, previously done or performed by such officers or agents of the city are in all respects approved, ratified and confirmed.

4. That the city is authorized to perform as required in connection with the Contract and such other requisite documents.

Adopted: June 25, 2002


KERRY J. DONLEY MAYOR

ATTEST:

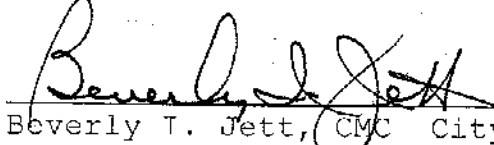

Beverly T. Jett, CMC City Clerk

EXHIBIT A

ALL THAT CERTAIN lot, piece or parcel of land situate, as now surveyed, lying and being in the City of Alexandria, Commonwealth of Virginia and more particularly described as follows to wit:

Said Beginning point, located on the northwesterly side of King Street (V.A. Route #7) and the southwesterly side of 28th Street at a point, said point being located 0.66 hundreds of a foot, from a scribe in a northwesterly direction, thence running and binding on said lines as recorded in DEED BOOK 23382 PAGE 1, thence leaving, said beginning point for the twelve (12) following courses and distances as now surveyed,

1. South 37' 42' 44" East 31.56 feet to a point, referenced by an iron pipe 0.23 hundreds of a foot west, thence
2. South 30' 40' 36" East 101.21 feet to a point, passing through a pipe on said line and 0.07 hundreds of a foot from the end thereof, thence
3. South 35' 46' 16" West 169.06 feet to an iron pipe held, thence
4. South 61' 02' 54" East 89.16 feet to a point, referenced by an iron pipe 0.70 hundreds of foot northwesterly, thence
5. South 28' 42' 37" West 73.22 feet to a point, referenced by an iron pipe 0.39 hundreds of a foot northwesterly, thence
6. North 81' 06' 46" West 69.62 feet to a point, passing through a pipe on said line and 0.65 hundreds of a foot from the end thereof, thence
7. North 08' 20' 40" East 28.91 feet to a point, referenced by a scribe 0.84 hundreds of a foot easterly, thence
8. By a curve to the left, having a radius of 125.00 feet, with an arc length of 107.19 feet, subtended by a chord bearing and distance of North 15' 32' 02" West 103.93 feet to a point, referenced by a iron pipe 0.72 hundreds of a foot southeasterly, thence
9. By a curve to the right, having a radius of 119.53 feet, with an arc length of 173.13 feet, subtended by a chord bearing and distance of North 01' 22' 54" East 158.39 feet to a point, referenced by an iron pipe 0.40 hundreds of a foot southeasterly, thence
10. North 42' 52' 31" East 66.11 feet to a point, referenced by scribe 0.28 hundreds of a foot southeasterly, thence
11. By a curve to the right, having a radius 25.00 feet, with an arc length of 30.49 feet, subtended by a chord bearing and distance of North 77' 49' 04" East 28.64 to a iron pipe held, thence
12. North 08' 53' 16" East 4.29 feet, to and iron pipe held being the point of beginning thereof, containing 34,824 square feet, or 0.8735 acres plus or minus

Being the same property conveyed by a deed dated October 20th, 2000 by and between Crescent Limited Partnership, a Virginia limited partnership ("Grantor"), and Aspen King Street, LLC, AVH King Street, LLC and RG King Street, LL each a Virginia limited liability company, as tenants-in-common (collectively "Grantee")