

City of Alexandria, Virginia

MEMORANDUM

DATE: JANUARY 22, 2004

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER *ps*

SUBJECT: CONSIDERATION OF RESOLUTION AND CONTRACT OF SALE TO PURCHASE THE BUILDING LOCATED AT 2900 BUSINESS CENTER DRIVE FOR CURRENT AND FUTURE CITY USES

ISSUE: Consideration of a resolution authorizing the City to acquire property located at 2900 Business Center Drive from Pepper Lane-Junction, LLC.

RECOMMENDATION: That City Council:

- (1) Approve the City's acquisition of the property at 2900 Business Center Drive;
- (2) Ratify and confirm the attached contract for the acquisition of this property which has been executed by the City Manager conditional upon Council's approval; and
- (3) Authorize the City Manager to re-execute and amend the contract to make needed clarifications, if any, and to execute any additional documents that are necessary to complete the transaction.

BACKGROUND: 2900 Business Center Drive is located at the corner of Roth Street and Business Center Drive. It is an approximately four acre parcel with a 61,000 square foot flex/warehouse building. The building is currently occupied by four businesses and the City's JobLink Program.

City staff was first contacted by the owner, Pepper Lane-Junction LLC, of the availability of the property in June 2003. Shortly thereafter a Letter of Intent was negotiated and signed allowing the City to study possible short and long-term use options for the property. With the assistance of a consultant, staff evaluated a number of possible uses of the 2900 Business Center Drive property, including relocation of the Department of Transportation and Department of Recreation, Parks and Cultural Activities primary maintenance facility from its current outdated building at South Quaker Lane. Following completion of the preliminary feasibility study, staff began the acquisition, negotiation and preliminary due diligence process.

DISCUSSION: The purpose of the acquisition is to provide the City for generations to come, with a significant number of contiguous parcels, and a substantial number of acres, in the middle of the City, for government and public use. With the acquisition of this property, and the

acquisition later in 2004, of the adjacent 13+ acre parcel to the east (to Telegraph Road), the City will own approximately 43 acres of land (excluding Lockett Park) between South Wheeler and Telegraph, south of Duke and Colvin. This considerable assemblage of land, located in a central part of Alexandria will provide to the City, now and for the indefinite future, the capacity to house a wide variety of City facilities and to plan a broad range of public uses. In the present, this property gives the City significant flexibility regarding the re-use of nearby City properties. The flex/warehouse construction of the existing building provides great flexibility, accommodating office, warehouse, vehicle storage and light industrial uses. It can be divided into separate tenant spaces or left completely opened. The facility also allows for second floor construction within the building, providing further flexibility. Located adjacent to other City property, there are opportunities for shared parking and perhaps other shared uses. Current options for use of the property over the next ten years include the continued use by JobLink, a new T&ES/RP&CA maintenance facility, and additional shared parking for proposed athletic fields to the east.

The recommended 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 seller, Pepper Lane-Junction, LLC . 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 reviewed the property documentation including covenants, easements, deeds, Phase I environmental survey, site plan, surveys, and building plans. Thus far, no adverse structural or environmental conditions have been found to exist on the property. The contract provides for further due diligence work, and settlement not later than March 12, 2004.

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 City may terminate the contract without liability, to either the City or to Pepper Lane-Junction, LLC. Should the Council approve the contract, the matter will be brought to the Planning Commission for its consideration of the property’s proposed use, as required by Section 9.06 of the City Charter. The proposed purchase price is \$5,850,000. An appraisal commissioned by City staff and performed by The Robert Paul Jones Company, LTD supports the reasonableness of this price.

FISCAL IMPACT: Since the approved FY2004 Capital Improvement Budget did not identify specific funds for acquisition of this specific property, the cost of the proposed acquisition of \$5,850,000 has had to be identified. Also, funds currently programmed in the CIP to renovate the current aging T&ES/RP&CA facility on South Quaker could be used to retrofit 2900 Business Center Drive for a new maintenance facility. The financing of this acquisition will be: (1) \$3.2 million in bond premiums paid to the City by the winning bidder at its January 6 sale of general obligation bonds, and (2) \$2.65 million in existing capital project funds previously budgeted for but not scheduled to be obligated before the end of FY 2004. Many of these projects will then be reprogrammed and budgeted for in the upcoming FY 2005 to FY 2010 Capital Improvement Program.

The operational impact of the acquisition would include the elimination of the rent payment for JobLink, totaling nearly \$500,000 over the three-year term. Potential revenue, including base rent and common area maintenance expenses, from the existing tenants is approximately \$300,000 a year until 2007. The current occupants include the following: Otis Elevator in 18,449 sq. ft. (\$136,547 per yr), California Suites in 5,853 sq. ft. (\$49,751 per yr.) and Discoveries in 5,923 sq. ft. (\$50,345 per yr.).

ATTACHMENTS:

Attachment 1. Resolution

Attachment 2. Contract

STAFF:

Michele Evans, Assistant City Manager

Mark Jinks, Assistant City Manager

Edward Mandley, Director, Department of General Services

Pete Geiling, Deputy Director, Department of General Services

RESOLUTION NO. _____

WHEREAS, the City of Alexandria, Virginia, desires to acquire 159,162 square feet of land, more or less, bounded by Duke Street to the north, Van Dorn Street to the west, Telegraph Road to the east, and the Capital Beltway to the south; and located at 2900 Business Center Drive, within the City of Alexandria, the said land being shown on a plat attached hereto and made part hereof, together with a one story flex-warehouse building containing approximately 61,125 square feet, 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 current and future city use, and so finds;

WHEREAS, the land records of the City of Alexandria indicate that the owners of the Property are Pepper Lane Junction, LLC, a California 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 amend and re-execute the Contract to make any needed clarifications or corrections and 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: _____

WILLIAM D. EUILLE
MAYOR

ATTEST:

Jackie M. Henderson
City Clerk & Clerk of Council

CONTRACT OF SALE

between

CITY OF ALEXANDRIA, VIRGINIA

and

PEPPER LANE-JUNCTION, LLC,

dated

January __, 2004

TABLE OF CONTENTS

	PAGE
1. Deposit.	5
2. Purchase Price; Payment.	5
3. Entry onto Property; Study Period.	5
4. Delivery of Documents.	7
5. Conditions.	10
6. Closing Date.	11
7. Conveyance.	11
8. Expenses.	12
9. Prorations.	12
10. Title.	12
11. Representations and Warranties of Seller and Buyer.	13
12. Environmental Matters.	22
13. Conditions to Closing.	22
14. Seller's Obligations at Closing.	23
15. Buyer's Obligations at Closing.	27
16. Operation and Maintenance of the Property and Personal Property.	28
17. Default; Remedy.	28
18. Parties Bound.	29
19. Commission.	29
20. Applicable Law.	30

21.	FIRPTA.	31
22.	Possession.	31
23.	Non-Merger.	31
24.	Total Agreement.	31
25.	Notices.	33
26.	Assignment.	33
27.	Time.	33
28.	Risk of Loss.	33
29.	Condemnation.	34
30.	Headings.	34
31.	Weekends and Holidays.	34
32.	Counterpart Originals.	34
33.	No Partnership.	35
34.	Tax Deferred Exchange	35

LIST OF EXHIBITS

Exhibit A	Description of Property
Exhibit B	Escrow Agreement
Exhibit C	Rent Roll
Exhibit D	Property Agreements
Exhibit E	Personal Property Inventory
Exhibit F	Tenant Disputes
Exhibit G	Tenant Estoppel

CONTRACT OF SALE

THIS CONTRACT OF SALE (hereinafter referred to as "Contract") is hereby entered into as of this ____ day of January, 2004, by and between CITY OF ALEXANDRIA, a municipal corporation of the Commonwealth of Virginia (hereinafter referred to as the "Buyer"), and PEPPER LANE-JUNCTION, LLC, a California limited liability company (hereinafter referred to as the "Seller").

RECITALS

A. Seller is the owner of certain real property containing approximately 159,162 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 one story flex-warehouse building containing approximately 61,125 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. Seller desires 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 Seller hereby agree to sell the Property upon the terms and conditions hereinafter set forth.

1. Deposit. Before the expiration of five days following execution of this Contract the Buyer shall deposit the sum of Two Hundred Ninety Seven Thousand Five Hundred Dollars (\$297,500.00) (the "Deposit") with the First American Title Insurance Company ("Escrow Agent"), which Deposit shall be placed in interest-bearing federally insured account(s) as provided for in the Escrow Agreement attached as Exhibit ___ hereto. The Escrow Agent shall promptly notify the parties upon receiving the Deposit. The term "Deposit" shall hereafter be defined to include all accrued interest earned on said Deposit.

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 Seller to Buyer hereunder (the "Purchase Price") shall be Five Million Eight Hundred Fifty

Thousand and No/100 Dollars (\$5,850,000.00). 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, together with all accrued interest, shall be applied to the Purchase Price at closing.

3. Entry onto Property; Study Period.

(a) 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 promptly repairs any damage to the Property or the Personal Property caused in connection with such

tests, studies and investigations; (b) Buyer shall communicate with the employees of Seller's property management company, Cord Associates, concerning this Contract or any aspect of the transaction contemplated by this Contract; (c) Buyer shall coordinate with Seller 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 Seller's 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 Seller 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.

(b) 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 Seller on or before 10:00 am on February 13, 2004 (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.

(c) Under the terms of the Letter of Intent between the Seller and Buyer, Seller has agreed to withhold the Property from the market for a period of one hundred eighty days from the date of the Letter of Intent; during that time (the "Holdback Period"), Seller shall not lease, sell or market the Property. Buyer has paid to the Seller a non-refundable sum of \$50,000.00. If this Contract is approved by the Alexandria City Council on or before February 13, 2004, then Buyer shall have the right to extend the Holdback Period to 10:00 am on March 12, 2004. If the Alexandria Planning Commission does not approve this Contract on or before 10:00 am on March 12, 2004, then Buyer agrees to immediately pay to Seller, by certified funds or wire transfer, an additional non-refundable sum of Twenty Eight Thousand Twenty Eight Dollars (\$28, 028.00), which sum shall be deemed a "Holdback Rent Payment" and shall not be deemed part

of the Purchase Price. If the Alexandria Planning Commission does not approve this Contract on or before 10:00 am on March 12, 2004, after Seller's receipt of the Holdback Rent Payment this Contract shall be terminated with no penalty.

(d) To the fullest extent permitted by law, Buyer shall defend, indemnify and hold Seller harmless from and against all costs, expenses, and liabilities, including reasonable attorneys' fees and court costs, reasonably and necessarily incurred by Seller 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 two (2) years only following the effective date of termination or closing.

4. Delivery of Documents. On or before the expiration of ten (10) business days after the date of full execution of this Contract, Seller agree to deliver to Buyer, at no cost or expense to Buyer, legible, true, correct and complete copies of all of the following documents (to the extent not previously provided to Buyer

by Seller) that relate to the Property or the Personal Property which are in the possession of or within the control of Seller, Seller's agents, officers, members and employees, or Seller 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 the Seller or of Seller's agents, officers, members and employees, or do not affect or relate to the Property or the Personal Property:

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

(b) operating statements of income and expense for the Property for calendar years 2001 and 2002 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, elevations 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 rental payable under each of the Leases and any escalator applicable thereto, any delinquencies or defaults during the period of Seller's 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 Seller 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 Seller fail to deliver any of the foregoing documents to Buyer within such ten (10) 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 Seller 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) [Intentionally Omitted]

(c) approval by the 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

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 D. Brian Costello, P.C., 8136 Old Keene Mill Road, Suite A-210, Springfield, Virginia 22152-1843 (counsel for Buyer), on March 12, 2004 (the "Outside Closing Date"). Should Buyer properly exercise its option to extend the Holdback Period to March 12, 2004, then the Outside Closing Date shall be March 12, 2004. 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 Seller 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 (if any) and Seller's attorneys' fees shall be paid by Seller, 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. Any special assessments applicable to the Property for the period prior to closing shall be paid by Seller 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.

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 acknowledges receipt of the title report on the Property prepared by First American Title Insurance Company (the "Title Commitment"). Buyer shall identify in writing to Seller on or before January 9,

2004 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 and arising after the effective date of the Title Commitment which are not acceptable to Buyer in accordance with the foregoing provisions. Seller agrees to diligently attempt to remedy any Title Objections identified by Buyer as set forth above, but Seller 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 Seller's obligation to cure Title Objections does not apply to monetary liens, which Seller shall be required to cause to be released at or prior to closing). In the event that Seller is 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 Seller, whereupon Seller 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 Seller and Buyer.

(a) The Seller represents and warrants, to Seller's actual knowledge, to Buyer as follows:

(i) All of the Leases delivered to Buyer pursuant to Paragraph 4 above are presently in full force and effect, the Seller is not presently in default thereunder, and to the actual knowledge of the Seller: (a) none of the tenants under the Leases are presently in default thereunder except as otherwise set forth on Exhibit "F" attached hereto, and (b) 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. The Seller is not presently in default under

any Service Contracts, and to the actual knowledge of the Seller no other party is presently in default thereunder and no event has occurred under the Service Contracts that would constitute a default after the expiration of any applicable grace period.

(iii) After the date of full execution hereof, Seller 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, extend (except in such case where the tenant has the right or option to extend) 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, except for any remaining Tenant Improvement Work being undertaken by Seller pursuant to the Lease with Buyer.

(iv) The Seller has not 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 does the Seller have any actual knowledge of any such violations. Seller shall be required to comply with any such written notices, orders or requirements not disputed by Seller and noted or issued prior to the date of closing. In the event any such written notice, order or requirement is disputed by Seller, and Seller does 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 Seller, whereupon Seller 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 plus accrued interest 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, nor any right to any mechanics' liens or materialmen's liens, on or affecting any portion of the Property, and if there shall be any such liens, Seller 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, Seller agrees, 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. If any such liens are recorded after closing that encumber the property, and for which Seller or Seller's employees, members or agents are responsible, the Seller shall obtain the release of the same on or before a date that is no later than fifteen (15) calendar days after receipt of notice of such liens.

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

(vii) The Seller is a limited liability company duly organized and validly existing under the laws of the State of California, and is lawfully qualified to do business in the Commonwealth of Virginia. The Seller 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 the Seller or any agreement, contract, or other instrument to which the Seller is a party or is bound. The party executing this Contract on behalf of the Seller has the authority to execute this Contract on such Seller's behalf and to bind such Seller hereunder. Seller is the sole owner of the Property and shall continue to be the sole owner of the Property during the entire term of this Contract and as of the date of closing.

(viii) The Seller does not have actual knowledge of any special assessments having been levied, threatened or pending against all or any part of the Property, and the Seller does not 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, or other legal or administrative proceedings pending or, to the actual knowledge of the Seller, threatened against the Seller (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; provided, however, that zoning or rezoning actions in the City of Alexandria are excluded from this representation.

(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 Seller, as tenants at will or at sufferance, trespassers or otherwise.

(xi) Seller has 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 Seller under the Leases have been completed and fully paid for except for any remaining Tenant Improvement Work being undertaken by Seller pursuant to the Lease with Buyer.

(xv) To the actual knowledge of Seller, 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, Seller is not engaged in any disputes with any tenants under the Leases, and no Tenant has indicated to Seller in writing an intention to engage in any dispute with Seller in connection with such tenant's Lease or its occupancy of the

Improvements.

As used in this Contract, the words "Seller' knowledge" or "Seller' 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 Seller after, and based solely upon, making inquiry of Jim Falcone, the person responsible for the subject matter of the representations and warranties of Seller contained in this Paragraph 11 and Paragraph 12 below, in his capacity as an officer of Hagner Management Co., the company charged with the management responsibility for the Property, without Jim Falcone 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 Hagner Management Co. shall be deemed to have been received by Seller.

(b) Buyer represents and warrants to Seller 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 that might adversely affect Buyer's ability to consummate the transaction contemplated by this Contract.

(c) It shall be a condition precedent to Seller's and Buyer's obligation to close hereunder that all of the representations and warranties of the other party contained in this Contract (including, but not limited to, Paragraph 11 and 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 Seller's right to enforce such representations and warranties of the other party shall not be merged into any documents delivered by Seller 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 Seller learn that any of the representations and warranties of the other party set forth in this Contract (including, but not limited to, Paragraph 11 or Paragraph 12 below) are not true and correct in any material respect, then Buyer or Seller (as the case may be) shall give the other party ten (10) business days notice to cure. If the deficiency is not cured within ten (10) business days after notice is given, then the Buyer or Seller (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 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 Seller nor any real estate broker, agent, employee, servant or representative of Seller 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 Seller, 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. The Seller hereby expressly represents and warrants to Buyer that, to Seller's actual knowledge, during Seller's ownership of the Property, no hazardous substances or hazardous materials have been released, deposited, stored or placed in, on, under or above the Property by the Seller, and to the

actual knowledge of the Seller, by any other party. The Seller further represents and warrants to Buyer that, to the actual knowledge of the Seller, 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.

13. Conditions Precedent to Closing. In addition to all other conditions contained in this Contract precedent 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) As of 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) As of the date of closing, 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.

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

(a) Execute, acknowledge and deliver the Deed.

(b) Execute and deliver a Bill of Sale, in a form reasonably satisfactory to both parties, whereby Seller transfers and conveys to Buyer all of Seller's right, title and interest in and to all furniture, furnishings, appliances, apparatus, equipment, tools, machinery and other items of personal property owned by Seller 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. No warranties shall attach to any items included in the Bill of Sale, which items shall convey in "AS IS" condition.

(c) Execute and deliver an Assignment of Leases, in a form reasonably satisfactory to Seller, assigning all of Seller's right, title and interest as landlord under all Leases including, without limitation, all security deposits thereunder. The total amount of all such security deposits

shall be transferred by separate draft or wire transfer to the Treasurer for the City of Alexandria. Buyer shall assume Seller's obligations under the Leases as of the date of closing, and Seller 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 (including, but not limited to, all court costs and reasonable attorneys' fees) and, to the fullest extent permitted by law, Buyer shall indemnify, defend and hold Seller 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 (including, but not limited to, all court costs and reasonable attorneys' fees). Seller shall be responsible for the payment of only those leasing commissions payable with respect to the Leases that are entered into prior to closing. The respective indemnification obligations of Seller and Buyer shall survive for a period of one (1) year following the effective date of closing.

(d) Execute and deliver an Assignment of Service Contracts, in a form reasonably satisfactory to the parties, assigning to Buyer all of Seller's right, title and interest under the Service Contracts. Seller 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 (including, but not limited to, all court costs and reasonable attorneys' fees), and, to the fullest extent permitted by law, Buyer shall indemnify, defend and hold Seller 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 (including, but not limited to, all court costs and reasonable attorneys' fees). The respective indemnification obligations of Seller and Buyer shall survive for a period of one (1) year following the effective date of closing.

(e) Execute and deliver an Assignment, in a form reasonably satisfactory to the parties, whereby Seller shall assign to Buyer, to the extent assignable, all of Seller's 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, in the form attached as Exhibit G, 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) Seller is 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) Seller has 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, in a form reasonably satisfactory to Seller, required by Buyer evidencing that the parties executing this Contract and all closing documents on behalf of Seller 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 Seller. Seller shall only be obligated to deliver to Buyer a certified copy of Seller's Articles of Organization and/or a certified copy of Seller's current Operating Agreement if First American Title Insurance Company requires such document(s) as a condition of issuing Buyer a policy of title insurance.

(l) Intentionally Omitted.

(m) Execute and deliver to Buyer a certificate, in a form reasonably satisfactory to the parties, to the effect that all of the representations and warranties of Seller 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 Seller) 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 Assignments 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.

(iv) Execute and deliver to Seller a certificate, in a form reasonably satisfactory to Buyer, to the effect that all of the representations and warranties of Buyer pursuant to Paragraph 11 hereof are true and correct in all material respects as of the closing date.

16. Operation and Maintenance of the Property and Personal Property. After the effective date of this Contract until closing, Seller 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, Seller, at Seller's 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, Seller, at Seller's sole cost and expense, shall continue to maintain in full force and effect all insurance policies currently maintained by Seller 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 Seller perform all of Seller's obligations hereunder and Buyer fails to close on the Property pursuant to the terms hereof in breach of the terms of this Contract, Seller, as Seller's 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 Seller and retained by Seller as full liquidated damages, in lieu of any other claims or causes of action which may be available to Seller at law or in equity by reason of such default hereunder by Buyer; the foregoing forfeiture of the Deposit to Seller is agreed upon as liquidated damages by the parties hereto because of the difficulty of

ascertaining the actual damages Seller may suffer by reason of Buyer's breach of this Contract.

(b) In the event that all of the conditions precedent to Seller's obligations hereunder have been satisfied or waived and Buyer performs all of its obligations hereunder, and Seller fails 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 Seller, at which time the Deposit, plus all accrued interest, shall immediately be paid over 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 Seller.

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. Seller agrees to pay the real estate commissions in connection with this transaction

pursuant to a separate agreement between such parties. Seller agrees to pay to Cord Associates (the "Seller's Broker") a real estate commission in connection with this transaction pursuant to a separate agreement between such parties. Except for the Seller's Broker, each of the Seller and Buyer represent and warrant that they have dealt with no agent or broker with respect to the transaction contemplated by this Contract. Buyer shall have no obligation to pay any fees to Seller's Broker. 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 Seller or Buyer, then Seller 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.

FIRPTA. The Seller hereby represents and warrants to Buyer that the Seller is not a "foreign person" within the meaning of Section 1445 of the Internal Revenue Code of 1986, as amended, and Seller further agrees, 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 Seller agree to execute all customary reporting forms required in order to comply with federal, state and local reporting requirements for this transaction.

21. 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.

22. 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.

23. 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 Seller 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.

24. 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: Peter Geiling, Deputy
Director of General Services
Fax Number: (703) 519-3332

With copies to: City of Alexandria
Office of the City Attorney
301 King Street, Suite 1300
Alexandria, Virginia 22314
Attention: Jill R. Applebaum
Senior Assistant City Attorney
Fax Number: (703) 838-4810

D. Brian Costello, P.C.
8136 Old Keene Mill Road, Suite A 210
Springfield, Virginia 22152-1843
Fax Number: (703) 644-9400

Seller: Pepper Lane - Junction, LLC
3880 South Bascom Avenue, Suite 111
San Jose, California 95124
Attention: Myra Reinhard
Fax Number: (408) 558-6908

With copies to: Cord Associates
42 South First Street, Suite D
San Jose, California 95113
Attention: Henry Cord
Fax Number: (408) 971-7699

Douglas L. Fleming, Jr., PC
[if mailed]
Drawer 111
Leesburg, Virginia 20178

[if delivered]
107 East Market Street, Second Floor
Leesburg, Virginia 20176
Fax Number: (703) 777-6318 E

Escrow Agent: First American Title
Insurance Company [address]

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.

25. Assignment. Buyer shall not assign this Contract in whole or in part without the prior consent of Seller.

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

27. 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 Seller until the closing hereunder.

28. Condemnation. Seller agrees 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 Seller, 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, or (ii) proceed to closing hereunder, in which event Seller shall assign to Buyer at closing all interest of Seller in and to any condemnation proceeds that may be payable to Seller 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 Seller with respect to the Property prior to the date of closing.

29. 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.

30. 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.

31. 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.

32. Litigation. [Intentionally Omitted]

33. 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 Seller 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.

34. Like-Kind Exchange: This Contract may be part of a transaction which qualifies, with respect to the Seller, as a "tax deferred exchange" pursuant to the provisions of Section 1031 of the United States Internal Revenue Code and the regulations thereunder. If the Seller so elects, then all rights and duties of the parties shall

be construed in a manner to give such intention effect, and no rights or duties of the parties shall be exercised or exercisable in any manner which would defeat such intention. In such case, the Buyer agrees to cooperate with the Seller in all reasonable manner and to execute all documents as may be reasonably requested by the Seller in order to accomplish such tax deferred exchange, including but not limited to, execution of an assignment of this Contract by the Seller to an intermediary or other person or entity, so long as (i) there is no additional financial or other liability or expense imposed upon Buyer, (ii) the rights of Buyer hereunder are not adversely affected in any way, and (iii) Buyer has no obligation to acquire land used in such like-kind exchange.

[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, City

Manager

Date: _____

WITNESS:

SELLER:

Pepper Lane-Junction, LLC, a
California limited liability
company

By: _____

Myra Reinhard, Managing

Member

Date: _____



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

Exhibit C

Rent Roll

**ALEXANDRIA BUSINESS CENTER
ALEXANDRIA, VIRGINIA
RENT ROLL**

LOCATION		AREA	RENT		LEASE				Escalations			Security Deposit				
Bay #	Tenant	Total Leased Sq. Ft.	Monthly \$	Annual \$	Commence	Expiration	Term	Delinquencies/ Defaults in last 3 years	Renewal Options	CPI	Opex, R/E Taxes	Expense stop	Annual Step Increase?	Status of T/I completion/ Landlord funding	Amount	
2910	Discoveries Egyptian Imports, Inc.	5,923	\$4,450.96	\$53,411.52	\$9.02	09/01/01	08/31/06	5 years	none	none	N/A	9.69% none (NNN)	3.00%	N/A	\$4,195.46	
2912	Otis Elevator Company	6,149	\$3,597.17	\$43,166.04	\$7.02	05/04/99	05/31/04	5 years	none	none	N/A	10.10% none (NNN)	no	N/A	\$0.00	
2914	City of Alexandria	12,573	\$11,001.38	\$132,016.56	\$10.50	11/23/03	11/30/06	3 years	none	1 - 2 year	N/A	20.80% none (NNN)	3.00%	Punchlist	\$0.00	
2916	VACANT	17,650										29.20%				
2918	Otis Elevator Company	12,300	\$7,781.72	\$93,380.64	\$7.59	06/01/97	05/31/04	7 years	none	1 - 3 year	N/A	20.35% none (NNN)	4.00%	N/A	\$6,150.00	
2920	SuiteAmerica	5,853	\$4,270.25	\$51,243.00	\$8.75	11/01/02	10/31/07	5 years	none	none	N/A	9.82% none (NNN)	3.00%	Complete	\$4,145.88	
TOTAL PROPERTY		60,448	\$31,107.48	\$373,277.76	\$6.17							99.66%			\$14,491.34	
		sf	%													
Occupied:		42,798	70.80%													
Vacant:		17,650	29.20%													

SS

Exhibit D

NONE KNOWN

Exhibit E

Personal Property Inventory

NONE

Exhibit F

Tenant Disputes

NONE KNOWN

RESOLUTION NO. 2093

WHEREAS, the City of Alexandria, Virginia, desires to acquire 159,162 square feet of land, more or less, bounded by Duke Street to the north, Van Dorn Street to the west, Telegraph Road to the east, and the Capital Beltway to the south; and located at 2900 Business Center Drive, within the City of Alexandria, the said land being shown on a plat attached hereto and made part hereof, together with a one story flex-warehouse building containing approximately 61,125 square feet, 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 current and future city use, and so finds;

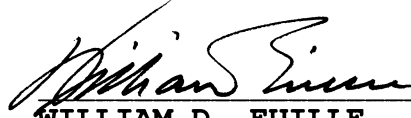
WHEREAS, the land records of the City of Alexandria indicate that the owners of the Property are Pepper Lane Junction, LLC, a California limited liability company; and

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 amend and re-execute the Contract to make any needed clarifications or corrections and 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: February 3, 2004



WILLIAM D. EULLE

MAYOR

ATTEST:



Jacqueline M. Henderson, CMC

City Clerk