24
6-21-05

City of Alexandria, Virginia

MEMORANDUM

DATE: JUNE 13, 2005

TO: HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

THROUGH: JAMES K. HARTMANN, CITY MANAGER

FROM: EILEEN FOGARTY, DIRECTOR, PLANNING AND ZONING

SUBJECT: CONSIDERATION OF A PETITION FOR AN EXTENSION OF THE 12-MONTH PERIOD FOR A DAY LABOR AGENCY TO CEASE OPERATIONS UNDER SECTION 12-215 OF THE ZONING ORDINANCE.

ISSUE: Consideration of a Petition For an Extension of the 12-Month Period for a Day Labor Agency to Cease Operations Under Section 12-215 of the Zoning Ordinance.

RECOMMENDATION: That City Council deny Ace Temporaries' request for an extension of the 12-month amortization period and require that Ace Temporaries cease its operations within a reasonable time from the date of the June 21, 2005 hearing.

DISCUSSION:

Summary

This case concerns enforcement of the 12-month amortization period set forth in the City of Alexandria's ("the City's") Zoning Ordinance by which day labor agencies must obtain a Special Use Permit ("SUP") or cease operations. Specifically, Ace Temporaries, Inc. and ACC, LLC (collectively "Ace")[1] request an extension of the 12-month amortization period by which its current use at 717 Pendleton Street as a day labor agency must cease under the nonconforming use provisions of § 12-215(B) of the Zoning Ordinance.

Ace claims that it cannot obtain a "fair and reasonable return on the investment" it has made in the use without an extension of the 12-month period, which expired on February 24, 2005. Ace asserts that it has made a substantial investment into the establishment and development of a day labor agency at 717 Pendleton Street, and that said sums would be

[1] ACC Holdings, LLC ("ACC") is a Virginia limited liability company and is the successor in interest to ACH, LLC.

unrecoverable if Ace were forced to cease its operations in accordance with § 12-215(B).[2] Ace estimates that it requires substantially longer than one year "to simply break even" on its investment.

An analysis of financial data concerning Ace's operations submitted in support of this petition indicates, however, that Ace has made only limited investment in its business operations since it opened its Pendleton Street location in April 1999. According to a financial expert hired by the City to analyze Ace and its finances, that investment could have reasonably been expected to have been returned prior to the October 7, 2003 date established in the Ordinance.[3] Indeed, even using conservative assumptions, Ace has received an actual rate of return significantly higher than what could be considered a "fair and reasonable" rate of return for a day labor agency. Therefore, the Council should deny Ace's petition.

A. Notice of Nonconformance and Petition Procedure

In February 2004, the City Council amended Zoning Ordinance § 12-215 to provide that any day labor agency in existence as of October 7, 2003 and not granted an SUP shall be deemed a "nonconforming use." See Attachment 1.

On February 24, 2004, the Department of Planning & Zoning ("P&Z") sent Ace a letter providing notice of its nonconforming use and requiring Ace to cease its operation within 12 months of the notice date. The letter also expressed the City's willingness to assist Ace in identifying another site for its business. See Attachment 2. As a result, Ace had until February 24, 2005 to move and, if it so chose, continue its day labor operations at another location. On February 22, 2005, the eve of the deadline, Ace petitioned an extension of the 12-month period by which it was required to cease its operations. See Attachment 3. That request is the subject of the instant hearing.

The Department of P&Z promptly requested additional information from Ace and clarification of certain broad allegations made in Ace's original extension request. See Attachment 4. Ace, relying solely on the opinions of its stockholder and owner, Mr. Chuck Carlton, subsequently provided limited additional data in two separate submissions. See Attachments 5 and 6.

B. Analysis of Ace's Financial Investment Data

The City retained the Reznick Group, a firm with expertise in accounting and business valuation, to conduct an independent analysis of information provided by Ace and to make its own assessment of a fair and reasonable rate of return from an investment in a

[2] On March 18, 2005, Ace also appealed for the second time the Planning & Zoning Department's determination that Ace is a day labor agency under § 2-133.1 of the Zoning Ordinance. The Board of Zoning Appeals voted to deny that appeal on May 12, 2005. The BZA approved final findings of fact on Ace's appeal on June 9, 2005. *See* Attachment 8. A background of the Zoning Ordinance is included as Appendix A.

[3] October 7, 2003 is the date from which Ace's operation at 717 Pendelton has been deemed a nonconforming use under the Ordinance.

business similar to Ace's. Mr. Brent Solomon has prepared the attached analysis and will be available to discuss his findings and to answer questions at the Council hearing on the matter. His findings are summarized in a letter report and accompanying schedules attached hereto. See Attachment 7. It becomes apparent, based on a review of the Reznick report and Ace's representations, that Ace has received a fair and reasonable return on investments made prior to October 7, 2003 and that an extension of the amortization period is not warranted.

As a preliminary matter, Ace bears the burden of providing information to support its petition. To date, Ace has elected to furnish opinions from its principal owner, Mr. Carlton, and not from a recognized expert. While Ace's correspondence suggests that an expert was "consulted" in the compilation of data and in the creation of certain narrative, it stresses that the opinions expressed are solely those of Mr. Carlton. Nothing in the record demonstrates that Mr. Carlton is qualified to express opinions concerning a return on investment analysis. While certainly familiar with his own business, Mr. Carlton's lack of background in accounting matters calls into question many of the assumptions made in support of the petition.

For example, with virtually no regard for sound accounting principles, Mr. Carlton amended his first attempt at calculating the amount invested in Ace by the end of 2003 by adding over $1.4 million in so-called "intangible assets." Then, he assumed that the entire amount of those assets would be lost when or if the business is discontinued. As the Reznick Group report concludes, those intangible assets consist principally of customer relationships, a trade name and, to a lesser extent, relationships with Ace's employees (the day laborers) and goodwill. Mr. Carlton makes no effort to explain why those assets could not be transferred to a new location without a significant loss in value. This assumption more than <u>doubled</u> Mr. Carlton's estimate of the investment made in Ace Temporaries. In short, the reliability of this data and Ace's theories of investment return should be carefully scrutinized.

Even given these serious analytical shortcomings, the Reznick Group accepted the accuracy of the financial data provided by Mr. Carlton to determine a reasonable return on investment for both Ace Temporaries and ACC Holdings.

For Ace Temporaries, the Reznick Group accepted Ace's estimate of maximum available cash flow available in 2003 (just over $217,000) and adjusted that figure for a reasonable estimated annual growth of 5 percent. Based on its own data, Ace's internal rate of return was calculated at over 52 percent. This compares extremely favorably to an estimated 21 percent equity rate of return for a small business like Ace.

Although real estate holdings are typically not part of the analysis for the return of investment in a *business*, because Ace cited its purchase of the property at 717 Pendleton as part of its investment, Reznick's analysis includes a calculation of return for the business with and without that purchase. For ACC Holdings, the real estate holding company and owner of the subject property at 717 Pendleton Street, the Reznick Group applied a reasonable estimate of investments made by Ace and used figures in the appraisal attached to Mr. Carlton's correspondence, and concluded that during the applicable period between April 1999 and 2003 Ace obtained a rate of return of over 37 percent. In contrast, an expected rate of return for a property similar to the subject property would be 13 percent, using accepted industry real estate yields.

In sum, both entities could reasonably have been expected to experience a payback period of less than 2.55 years from the time Ace opened for business in April 1999. The modest investments made in a day labor agency (mostly improvements to the building itself and business assets like furniture and a small amount of computer equipment) would have been recouped prior to October 2003.

CONCLUSION

Enforcement of the nonconforming use abatement requirement for a day labor agency is not an action the Department of P&Z takes lightly, but is plainly warranted here. Ace has long been on notice that its operations have created substantial adverse impacts on the neighboring residential uses. A challenge to the Department's interpretation of the "day labor agency" provision of the Ordinance has been before the Board of Zoning Appeals twice in the past three years. The Council itself considered and denied Ace's request for an SUP four and a half years ago. Ace has no basis to challenge the process by which it was notified about enforcement of the nonconforming use provision of the Ordinance, nor can it complain that it was not afforded a reasonable opportunity in the four months since expiration of the 12-month amortization period to provide information to the City concerning this petition for an extension.

The Department of P&Z's application of the 12-month amortization period provided by § 12-215 to the operations of Ace Temporaries is reasonable. Accordingly, the City Council should deny Ace's request for an extension of the 12-month amortization period and require that Ace cease its operations within a reasonable time from the date of the June 21, 2005 hearing.

ATTACHMENTS:

Attachment 1. Ordinance #4337 (February 21, 2004)
Attachment 2. February 24, 2004, Letter from Department of Planning and Zoning to Ace Temporaries, providing notice of its nonconforming use
Attachment 3. February 22, 2005, Letter from Michael Mattock / Ace Temporaries to Eileen Fogarty, Department of Planning & Zoning, requesting an extension of time
Attachment 4. March 14, 2005 letter from Richard Josephson to Michael Mattock
Attachment 5. April 27, 2005, Letter from Michael Mattock / Ace Temporaries to Fred Wagner, with attachments: Calculation of Amount Invested; and June 7, 2004, Appraisal Report of 717 Pendleton Street
Attachment 6. May 5, 2005, Letter from Michael Mattock / Ace Temporaries to Fred Wagner, with attachments: May 5, 2005, Statement of Charles Carlton; May 5, 2005, Ace Temporaries, Inc., Calculation of Amount Invested

Attachment 7. June 10, 2005, Financial Evaluation by Brent Solomon, Reznick Group, P.C. and Return on Investment Analysis

Attachment 8. June 9, 2005, Findings of Fact and Conclusions, Case BZA #2005-0019

STAFF:
Ignacio Pessoa, City Attorney
Eileen Fogarty, Director, Planning and Zoning

ORDINANCE NO. 4337

AN ORDINANCE to amend and reordain Section 12-215(ABATEMENT OF DAY LABOR AGENCIES) under Section 12-200 (NONCONFORMING USES), of Article XII (NONCOMPLIANCE AND NONCONFORMITY) of the City of Alexandria Zoning Ordinance (TA No. 2003-0006).

THE CITY COUNCIL OF ALEXANDRIA HEREBY ORDAINS:

Section 1. That Section 12-215 of the City of Alexandria Zoning Ordinance be, and the same hereby is, amended to read as follows:

12-215 Abatement of day labor agencies.

Any day labor agency in existence on October 7, 2003, in a zone in which such use is neither a permitted or special use permit use, or in a zone in which such use is a special use permit use but for which a special use permit has not been granted, shall be deemed a nonconforming use and shall be discontinued on or before a date 12 months from the date on which the use was first notified of its nonconforming status, unless it obtains a special use permit which authorizes its continuation subject to the following:

(A) Promptly upon learning of the existence of a day labor agency categorized as a nonconforming use under this section, the director shall notify the property owner and, if different, the owner or operator of the nonconforming status of the use and that the use must cease operations, or if permitted by the applicable regulations of this ordinance, obtain a special use permit approval prior to the expiration of 12 months from the date of the notice.

(B) No later than the expiration of the applicable 12 month time period, the property owner or owner or operator of any such nonconforming day labor agency may seek from city council an extension of the date by which it must come into conformity with this section 12-215 by filing with the director a petition which sets forth in detail the reasons why a fair and reasonable return on the investment in such day labor agency made by the petitioner prior to October 7, 2003, cannot be obtained prior to the expiration of the 12 month period.

(C) Council shall conduct a public hearing on any such petition, prior to which the director shall provide notice in accordance with the provisions of section 11-300 of this ordinance.

(D) Following the hearing, council may extend the 12 month period only if it finds that a strict application of that time period will deny the petitioner the opportunity to realize a fair and reasonable return on the investment in the nonconforming day labor agency made by petitioner prior to October 7, 2003, in which case council shall extend the date to a time which it determines will provide such opportunity to the petitioner.

Section 2. That Section 12-215 of the City of Alexandria Zoning Ordinance, as amended by this ordinance, be, and the same hereby is, reordained as part of the City of Alexandria Zoning Ordinance, and that the amendments made by this ordinance be, and same here by are, declared to be severable, such that in the event this ordinance is determined to be invalid by a court of competent jurisdiction, Section 12-215, prior to amendment, shall remain in force and effect.

Section 3. That this ordinance shall become effective upon the date and at the time of its final passage, and shall apply to all applications for land use or land development approval provided for under the City of Alexandria Zoning Ordinance which are filed on and after February 21, 2004, and are pending on and after the effective date before any city department, agency or board, or before city council, or on judicial review, and shall apply to all other facts and circumstances subject to the provisions of the City of Alexandria Zoning Ordinance, except as may be provided in Article XII of said Ordinance.

WILLIAM D. EUILLE
Mayor

Final Passage: February 21, 2004

City of Alexandria, Virginia

DEPARTMENT OF PLANNING AND ZONING
301 King Street, Room 2100
P. O. Box 178
Alexandria, Virginia 22313
(703) 838-4666
FAX (703) 838-6393

ALL-AMERICA CITY
1985
1964

ATTACHMENT 2.

February 24, 2004

Mr. Chuck Carlton
Ace Temporaries
717 Pendleton Street
Alexandria, Virginia 22314

Re: Abatement of Day Labor Agency use

Dear Mr. Carlton:

This is to inform you that pursuant to section 12-215 of the City's zoning ordinance, amended by City Council on February 21, 2004, your day labor agency at 717 Pendleton Street is considered a nonconforming use. Under that provision, the day labor agency is required to cease its operation within twelve months from today's date. We will be happy to work with you to find another site for your business in the city.

If you have any questions or seek additional information, please do not hesitate to contact me or Barbara Ross of this office.

Very truly yours,

Eileen Fogarty

Eileen Fogarty
Director

cc: Catherine Puskar, Esq., Walsh Colucci
Ignacio Pessoa, City Attorney

ATTACHMENT 3.

Michael A. Mattock
(703) 330-7400 Ext. 25
mmattock@pw.thelandlawyers.com

WALSH COLUCCI
LUBELEY EMRICH
& TERPAK PC

February 22, 2005

FEB 23 2005

Via Overnight Mail
Eileen Fogarty, Director
Department of Planning and Zoning
City of Alexandria
301 King Street, Room 2100
Alexandria, Virginia 22313

Re: Ace Temporaries, Inc., 717 Pendleton Street

Dear Ms. Fogarty:

This firm represents Ace Temporaries, Inc. ("Ace") and ACC Holdings, LLC ("ACC") in connection with your February 24, 2004 determination that the day labor agency[1] operated by Ace at 717 Pendleton Street ("the premises") is a non-conforming use pursuant to § 12-215 of the City's Zoning Ordinance ("the Zoning Ordinance"). A copy of your February 24, 2004 determination is attached. Please accept this letter as Ace and ACC's request, pursuant to § 12-215(B) of Zoning Ordinance, for an extension of the 12 month time period during which the current use must cease operations.

A "fair and reasonable return on the investment" that Ace and ACC have made in the use, prior to October 7, 2003, cannot be obtained without an extension of the 12 month period. As of October 2003, Ace and ACC combined had more than $1,500,000 invested in its business at the premises. Given these substantial sums, fundamental fairness dictates that they be afforded an opportunity to obtain a reasonable return on that investment prior to the City's discontinuance of the operation. It is entirely unreasonable to expect that a "fair and reasonable return" could be achieved in a mere 12 month period.

For 2003, Ace had a return on assets of approximately 27% while ACC had a return on assets of approximately 1%. Using an estimated return on assets of 15% for Ace and ACC combined, Ace and ACC would require approximately seven years to simply break even, at which point a 1% annual return on assets would be achieved. There are, of course, no guarantees that Ace and ACC would be able to sustain such returns on assets in future years.

1 Ace and ACC maintain that the operation is not a day labor agency within the meaning of the City's Zoning Ordinance and in no way should this request for extension be construed as a waiver of that position. The February 24, 2004 determination that the operation is a day labor agency will be the subject of a separate BZA appeal.

While merely breaking even can hardly be construed as a "fair and reasonable return on the investment", the inadequacy of the 12 month period provided in § 12-215 is readily apparent when considered in light of Ace and ACC's returns. Given these facts, it is impossible for Ace and ACC to obtain a fair and reasonable return on their investment within a 12 month period.

Therefore, Ace and ACC desire a hearing before the City Council on their request for an extension of the 12 month time period and reserve the right to present additional materials in support of their request on or before such hearing.

Please do not hesitate to contact me with any questions or concerns and I appreciate your kind attention to this matter.

Sincerely,

WALSH, COLUCCI, LUBELEY,
EMRICH & TERPAK, P.C.

Michael A. Mattock

Enclosure
cc: Ignacio Pessoa
Chuck Carlton
John H. Foote
Catharine Puskar

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ATTACHMENT 4

City of Alexandria, Virginia

DEPARTMENT OF PLANNING AND ZONING
301 King Street, Room 2100
P.O. Box 178
Alexandria, Virginia 22313
(703) 838-4666 FAX (703) 838-6393

March 14, 2005

Michael A. Mattock
Walsh, Colucci, Lubeley, Emrich and Terpak, P.C.
4310 Prince William Parkway
Suite 300
Prince William, VA 22192

Re: Ace Temporaries, Inc., 717 Pendleton Street

Dear Mr. Mattock:

We have received your letter regarding Ace Temporaries at 717 Pendleton Street and will process your application to City Council for its consideration after you supplement it with the following items of information which we consider necessary to reasonably consider the request, and which may, depending on the information provided, lead to further requests for information.

1. Please identify the entities Ace Temporaries, Inc. and ACC Holdings, LLC, describing their history, function, ownership and directors/membership/partners.

2. Please provide support for and a detailed breakdown of the $1,500,000 figure in your letter, identifying and describing each item Ace considers an investment in the "business and premises," including the identity of the corporate entity making each investment.

3. Please provide a specific and detailed breakdown of your conclusion regarding a 27% and a 1% return on investment for each entity, including detail with regard to each component of each calculation..

4. Please describe in specific detail Ace Temporaries' efforts to relocate its business since February 24, 2004, including each alternative location that Ace Temporaries has considered.

5. Please describe in specific detail uses other than Ace Temporaries which have been considered for the 717 Pendleton premises and any and all efforts to replace the current use with a conforming one at the site.

6. Please provide an explanation for the 15% figure Ace uses as an estimate for a combined return on assets for Ace and ACC. How did Ace arrive at the 15% figure? What does Ace consider to be a fair rate of return on a business investment? What "assets" are being considered in the "return on assets" calculation referred to in the last paragraph of the first page of your letter?

7. Please provide the most recent appraisal of the subject property.

8. Please identify any expert consulted regarding the opinions in your letter.

9. Please confirm that your request for an extension of time asks for a specific extension of seven years, or until February 2012.

10. Please identify whatever additional information you plan to present to City Council, as indicated in your letter.

When we have received the above information and have had an opportunity to review and analyze it, we will forward the matter to City Council for its consideration. In terms of scheduling, if we have the material by March 28, we anticipate being able to docket the matter for Council in May.

Sincerely,

Richard Josephson
Deputy Director

cc: Ignacio Pessoa
Eileen Fogarty
Fred Wagner, Esq.

ATTACHMENT 5.

Michael A. Mattock
(703) 680-4664 Ext. 115
mmattock@pw.thelandlawyers.com

WALSH COLUCCI
LUBELEY EMRICH
& TERPAK PC

April 27, 2005

Via Facsimile and First Class Mail
Fred R. Wagner, Esq.
Beveridge & Diamond, P.C.
1350 I Street, NW, Suite 600
Washington, D.C. 20005

Re: Ace Temporaries, Inc., 717 Pendleton Street

Dear Fred:

I am writing in response to Richard Josephson's letter to me dated March 14, 2005 and in connection with our discussions regarding the submission of information for consideration by the City Council related to Ace Temporaries, Inc.'s ("Ace") and ACC Holdings, LLC's ("ACC") request for an extension of the 12 month period contained in § 12-215(B) of the City's Zoning Ordinance. The numbered responses below correspond to the numbered paragraphs contained in Mr. Josephson's letter:

1. Please identify the entities Ace Temporaries, Inc. and ACC Holdings, LLC, describing their history, function, ownership and directors/membership/partners.

Ace Temporaries, Inc. was incorporated under the laws of Delaware on or about February 27, 1991 and was subsequently domesticated in Virginia. Ace engages in the business of providing employment services and temporary personnel placement to businesses in the Metro area. During the five-year period 1999-2003, Ace generated average annual revenues in excess of 6 million dollars per year (approximately 70% of these revenues were attributable to Ace's operations in Alexandria). The stockholders of Ace Temporaries Inc. are Mr. Charles Carlton and Mr. Adam Schram, both of Fairfax Station, Virginia.

ACC Holdings, LLC (formerly known as ACH, LLC) is the owner of commercial real estate located at 711 Pendleton Street in Alexandria, Virginia. ACC rents its property to Ace Temporaries, Inc. ACC has been in business in Alexandria, Virginia since April of 1999. The members of ACC are Mr. Charles Carlton and Mr. Adam Schram, both of Fairfax Station, Virginia.

2. Please provide support for and a detailed breakdown of the $1,500,000 figure in your letter, identifying and describing each item Ace considers an investment in the *"business and premises", including the identity of the corporate entity making each investment.*

Attached hereto as Exhibit A is a detailed breakdown of the $1,500,000 figure, as set forth in Ace and ACC's February 22, 2005 request for extension, representing assets invested in the business. Note that the actual total investment figure is described as $2,047,356. This figure may actually be understated in that the amounts listed as investments in real property are shown at original cost, not their current fair value as of the date of valuation.

3. Please provide a specific and detailed breakdown of your conclusion regarding a 27% and a 1% return on investment for each entity, including detail with regard to each component of each calculation.

The percentages listed below represent the net amount of money returned on invested assets calculated as follows:

	Ace Temporaries, Inc	ACC Holdings, LLC
Accrual basis net income Per books – 2003	$ 124,386	
Cash basis net income Per books – 2003		$ 7,298
Invested assets As of December 31, 2003	$ 1,144,168	$ 903,188
Rate of Return (Net income Divided by Assets)	10.9%	0.8%

4. Please describe in specific detail Ace Temporaries' efforts to relocate its business since February 24, 2004, including each alternative location that Ace Temporaries has considered.

Ace and ACC respectfully suggest that what, if any, efforts they may have made to relocate their business are simply not relevant to the issues in this matter, namely: 1) whether within merely twelve months from February 24, 2004, Ace and ACC can earn a fair and reasonable return on the investment in their businesses made prior to October 7, 2003; and 2) what period of time will permit Ace and ACC to earn a fair and reasonable return on the investment in their businesses made prior to October 7, 2003. Notwithstanding the above, Ace and ACC have been working with a realtor to investigate the possibility of relocating their operations.

5. Please describe in specific detail uses other than Ace Temporaries which have been considered for the 717 Pendleton premises and any and all efforts to replace the current use with a conforming one at the site.

Ace and ACC respectfully suggest that this question is not at all relevant to the issues before the City Council in this matter. What, if any, other uses Ace and ACC may have considered for 717 Pendleton Street have nothing at all to do with whether Ace and ACC can earn a fair and reasonable return on their investment in the mere twelve month period provided in the ordinance and, what time period would permit a fair and reasonable return. Ace is in the business of providing employment services and temporary personnel placement and has, therefore, not considered other uses.

6. Please provide an explanation for the 15% figure Ace uses as an estimate for a combined return on assets for Ace and ACC. How did Ace arrive at the 15% figure? What does Ace consider to be a fair rate of return on a business investment? What "assets" are being considered in the "return on assets" calculation referred to in the last paragraph of the first page of your letter?

The 15% figure contained in the February 22, 2005 request for extension was an estimate. The 6.43% figure below is a simple average of the return figures as calculated above in the answer to question number 3:

Combined net book income (124,386 + 7298)	$ 131,684
Combined invested assets (1,144,168 + 903,188)	$ 2,047,356
Rate of return (131,684 / 2,047,356)	6.43%

For this purpose, Ace considers a fair rate of return to be an amount substantially equal to the amount currently being returned on invested assets. The "assets" being considered are as listed on Exhibit A.

7. Please provide the most recent appraisal of the subject property.

A copy of the most recent appraisal of the subject property is attached hereto.

8. Please identify any expert consulted regarding the opinions in your letter.

The opinions contained in the February 22, 2005 request for extension are those of Mr. Carlton. Mr. Anthony Aiken, CPA, ABV, CVA, 3975 University Drive, Suite 440, Fairfax, VA 22030 was consulted regarding the opinions contained in this letter;

however, the opinions contained in this letter are those of Mr. Carlton. A business valuation expert, Mr. Aiken's valuation of Ace and ACC is ongoing and may require the supplementation of the foregoing responses.

9. Please confirm that your request for an extension of time asks for a specific extension of seven years, or until February 2012.

The February 22, 2005 request for extension does not ask for a specific extension of seven years; based on estimated return on assets of 15% contained in that request, seven years would simply have permitted Ace and ACC to break even, without considering the effect of taxes. Breaking even cannot be considered a fair and reasonable return on the investment that Ace and ACC have made. It is Ace and ACC's opinion that an extension of more than seven years will be required in order to achieve a fair and reasonable return.

10. Please identify whatever additional information you plan to present to City Council, as indicated in your letter.

As noted above, Mr. Aiken's evaluation of Ace and ACC is ongoing and it is anticipated that the foregoing responses will require supplementation with additional valuation information so that the Council may have a complete understanding of Ace and ACC's need for an extension. In addition, it is anticipated that Mr. Aiken will provide verbal testimony at the City Council hearing and be available to answer questions that the Council might have.

Therefore, and as we discussed, Ace and ACC respectfully reserve the right to submit additional information prior to or during the City Council hearing in this matter. This is particularly so given Mr. Aiken's ongoing valuation and the possibility that the Council and staff may have additional questions concerning these issues, which are obviously of great importance to Ace and ACC.

In light of this, and given both the staff's and your deadline for preparing a package for the City Council by May 6, 2005, Ace and ACC would request that this matter be deferred for a short time, perhaps to the Council's June 21, 2005 meeting, so that Mr. Aiken's more complete valuation information can be provided for the Council's review. If a formal request for a deferral of this matter from the currently scheduled May 14, 2005 hearing is required, please let me know and I will prepare such a request.

In the meantime, please do not hesitate to contact me with questions or requests for additional information that the City might have.

Sincerely,

WALSH, COLUCCI, LUBELEY,
EMRICH & TERPAK, P.C.

Michael A. Mattock

ame
Enclosure

cc: Ignacio Pessoa
Chuck Carlton
John H. Foote

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EXHIBIT A

ACE Temporaries, Inc.
Calculation of Amount Invested

As of December 31, 2003 the combined investment in the business and premises is determined as follows:

	ACE Temporaries, Inc.	ACC Holdings, LLC	Combined Investment
Cash and Cash equivalents invested and available for continuing operations	86,498	13,043	99,541
Accounts receivable (gross amounts due from customers in the regular course of business)	630,350		630,350
Short-term loans receivable		142,877	142,877
Investments in furniture, equipment buildings and improvements at *at original cost*	411,316	222,294	633,610
Other current assets	16004		16,004
Land		139,444	139,444
Additional value of building		385,530	385,530
Total investments at December 31, 2003	1,144,168	903,188	2,047,356

APPRAISAL REPORT
OF
717 PENDLETON STREET
ALEXANDRIA, VA 22314

AS OF
JUNE 7, 2004

Prepared By
EVALUATION AND REVIEW ASSOCIATES, INC.

18500 FIDDLELEAF TERRACE
OLNEY, MARYLAND 20832
Telephone: (301) 570-3394
evaluationandreview.com

EVALUATION AND REVIEW ASSOCIATES, INC.

18500 FIDDLELEAF TERRACE
OLNEY, MARYLAND 20832
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(301) 570-3394

Thomas P. Gallup, MAI
Member of the Appraisal Institute
Certified General Appraiser
Maryland, Virginia and The District of Columbia

June 11, 2004

Mr. Donald D. Wipf
Senior Vice President
Access National Bank
8233 Old Courthouse Road
Suite 320
Vienna, Virginia 22182

Re: Complete, Summary Appraisal of 717 Pendleton Street; Alexandria, VA 22314

Dear Mr. Wipf:

At your request, I have prepared a ***Complete Appraisal,*** reported in the ***Summary Format,*** of the above referenced property; the purpose of which was to form an opinion the ***Market Value*** of the ***Fee Simple*** interest in the subject property, ***"As Is"*** as of the effective date of the appraisal.

The subject property consists of a single tax parcel of C-L zoned land situated on the northeastern corner of the intersection of Pendleton Street and N. Columbus Street in the Old Town neighborhood of the City of Alexandria, Virginia. The 3,744 square foot site supports a one-story, plus a below-grade level, masonry office building consisting of 3,720 square feet of above-grade Gross Building Area (GBA). As of the effective date of the appraisal, the property is occupied by a single, owner-related tenant.

The property rights appraised comprise the Fee Simple interest in the subject property. In addition to the value conclusions set forth in this report, it is my opinion that, if properly marketed at price not significantly variant from the market value reported herein, the subject property would sell within a marketing period of twelve months. This marketing period is based on discussions with knowledgeable market participants and the marketing times of comparable properties.

This appraisal report is intended to assist Access National Bank in evaluating the subject property for a federally related lending transaction.

Based on an inspection of the property, and the investigations and analyses undertaken, it is my opinion that as of the effective date of this appraisal, June 7, 2004, and subject to the underlying assumptions and limiting conditions set forth in the accompanying report, the ***Market Value*** of the Fee Simple interest in the subject property, **"As Is"**, was:

SEVEN HUNDRED EIGHTY THOUSAND DOLLARS

($780,000)

The accompanying appraisal report, of which this letter is considered a part, sets forth the identification of the subject property, pertinent facts about the area in relation to the appraised, the comparable data used, the results of the investigations and analyses undertaken, the reasoning leading to the conclusions set forth and the underlying assumptions and limiting conditions upon which the values provided in this report are premised. **The values provided herein are in terms of cash.**

This appraisal is intended for the sole and exclusive use of the party to whom it is addressed. Duplication, use of the comparables, or any use other than defined in this report, is prohibited without the written permission of the appraiser. The appraiser and Evaluation And Review Associates, Inc. will not be liable for use of this report by third parties.

The following report is prepared subject to the Underlying Assumptions and Limiting Conditions found on pages 6 through 9. The Intended User is cautioned NOT to rely on the report unless they accept these assumptions and limiting conditions.

Should you have any questions concerning this appraisal, please feel free to contact me. The engagement letter outlining the purpose of this appraisal and delineating my instructions and other appropriate information is provided as an Addenda to this report.

Sincerely,
Evaluation And Review Associates, Inc.

Thomas Gallup

Thomas P. Gallup, MAI
Principal
Virginia Certified General Appraiser No. 002511

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TABLE CONTENTS (CONTINUED)

I. INTRODUCTION

CERTIFICATIONS OF THE APPRAISER

2/04

The undersigned appraiser hereby certifies that, to the best of his knowledge and belief:

- The statements of fact contained in this appraisal report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) and the Appraisal Policies and Guidelines adopted by the Intended User.
- I have made a personal inspection of the property that is the subject of this report.
- Jane M. Diven provided significant real property appraisal assistance to the person signing this certification.
- I currently hold the "Certified General" Appraisal License in Maryland, Virginia and the District of Columbia.
- I certify to the best of my knowledge and belief, the reported analysis, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- I certify that the use of this report is subject to the requirements of the Appraisal Institute, relating to review by its duly authorized representatives.

CERTIFICATIONS OF THE APPRAISER - CONTINUED

- As of the date of this report, I am a Designated Member of the Appraisal Institute, and I have completed the requirements of the continuing education program of the Appraisal Institute.

- A value opinion of $780,000 was estimated for the property "As Is".

Evaluation And Review Associates, Inc.

Thomas Gallup

Thomas P. Gallup, MAI
Principal
Virginia Certified General Appraiser No. 002511

UNDERLYING ASSUMPTIONS AND LIMITING CONDITIONS

In conducting this appraisal, I have assumed that:

1. Title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions, except those specifically discussed in this report. The property is under responsible ownership and competent management and is available for its highest and best use, unless otherwise noted in the appraisal. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

2. Unless otherwise noted in the appraisal, existing judgments, pending or threatened litigation are assumed to have no effect on the value of the property.

3. There are no hidden, unapparent or undisclosed conditions of the land or of the improvements which would render the property more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.

4. The revenue stamps placed on any deed to indicate the sale price are in correct relation to the actual dollar amount of the transaction.

5. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes, unless otherwise stated, described and considered in the appraisal. It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.

6. Unless otherwise noted in the appraisal, it is assumed that the property is not located in an area in which the purchase of flood insurance is required as a condition for Federal or Federally related financial assistance. The Intended User is cautioned to confirm this; the appraiser is not an expert in flood hazard determination.

7. If the appraisal is for a property with improvements to be constructed and/or renovated, such construction and/or renovation will be completed as outlined in the report.

8. The appraisal does not give effect to any proposed federal income tax legislation now under consideration. Uncertainties in the marketplace could eventually have a material affect on a property's market value.

The appraisal report is subject to the following limiting conditions:

1. An appraisal is inherently subjective and represents only one opinion of a property's Market Value. The forecasts and projections contained herein are based on current market conditions, anticipated short-term supply and demand factors and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions, as is the value conclusion.

2. The conclusions stated in the appraisal apply only as of the date of valuation and no representation is made as to the effect of subsequent events.

3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated, unless otherwise noted in the appraisal.

4. No environmental impact studies were either requested or made in conjunction with this appraisal, and I reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. Required revisions, beyond the scope of the original appraisal assignment, would be subject to a new appraisal engagement letter. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.

5. By reason of this assignment I am not required to give testimony or to be in attendance in court or any government or other hearing with reference to the property without written contractual arrangements relative to such additional employment being made beforehand. By accepting this appraisal – as evidenced by compensating the appraiser in the agreed upon amount – the Intended User hereby agrees to promptly indemnify and defend the appraiser against any damage or claim resulting by any third party arising out of the use or the dissemination of this appraisal report (or any portion of the contents). The Intended User further agrees to allow the appraiser to approve any attorney employed by the Intended User to defend against such claim or cause of action.

6. No survey of the property has been made and no responsibility is assumed in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only. No such sketch or survey is scaled for size, unless otherwise noted in the appraisal. The appraisal covers the property as described in this report, and the areas and dimensions set forth herein are assumed to be correct.

7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, and it is assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in the appraisal.

8. No responsibility is accepted for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters, geologic considerations, such as soils and seismic stability, civil, mechanical, electrical, structural and other engineering, environmental and toxic contaminants. All illustrative material in this report is included only to help the reader visualize the property and is assumed to be correct.

9. If the property is improved, the distribution of the total valuation in this report between land and improvements applies only under the reported highest and best use of the property. Any value opinions provided in the report apply to the entire property, and any proration or division of the total into fractional interests will invalidate the value opinion(s), unless such proration or division of interests has been set forth in the report. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. This appraisal shall be considered in its entirety. No part thereof shall be utilized separately or out of context.

10. Neither all nor any part of the content of this report (especially any conclusions as to value, the identity of the appraiser, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the appraiser. Possession of this report does not carry with it the right of publication; such right can only be granted by the appraiser, in writing.

11. Information, estimates and opinions contained in this report, obtained from sources outside of this office, are assumed to be reliable and may not have been verified.

12. I have not reviewed any financial statements pertaining to the property, unless otherwise noted in the appraisal.

13. If the value of the property is relevant for federal income tax purposes, the methodology and/or results of the appraisal may be challenged by the Internal Revenue Service. In the event of such a challenge, there can be no assurance that the methodology and/or results of the appraisal will be accepted. In particular, the methodology for appraising certain types of properties, including without limitation government subsidized housing, has been the subject of debate among professional appraisers and may be especially susceptible to challenge.

14. If the property is subject to one or more leases, any estimate of residual value contained in the appraisal cannot take into account the condition of the economy, of the real estate industry, or of the appraised property at the time the leases expire or otherwise terminate.

15. Unless otherwise noted in the appraisal, no consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.

16. The current purchasing power of the dollar is the basis for the value stated in the appraisal; I have assumed that no extreme fluctuations in economic cycles will occur.

17. The soils in the area are assumed to be adequate for existing structures or construction of improvements as proposed if any are proposed.

18. The existence of hazardous materials or conditions, which may or may not be present at the subject property, was not observed by the appraiser. The appraiser has no knowledge of the existence of any hazardous materials in or on the property, in any supplied public utility, or in or on a neighboring property affecting the subject property. The appraiser is not, however, qualified in the arts and sciences of environmental hazard detection and assumes no responsibility for any such conditions. If any user of this appraisal report is concerned with the possibility of environmental hazard, I recommend retention of appropriate experts for counsel and advice.

19. The Americans with Disabilities Act (ADA) became effective January 26, 1992. The appraiser has not made a specific compliance survey and analysis of the property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the subject property together with a detailed analysis of the requirements of the ADA could

reveal that the property is not in compliance with one or more requirements of the act. If so, this fact could have a negative effect upon the value of the property. Since I have no direct evidence relating to this issue, possible noncompliance with the requirements of the ADA was not considered in developing the opinion of value of the property.

20. The appraiser is not a home inspector, building inspector, or environmental inspector; the appraiser provides an opinion of value. The appraisal does not guarantee that the property is free of defects or environmental problems. The appraiser performs an inspection of *some* of the visible and accessible areas only. Mold may be present in areas the appraiser did not, or cannot, see. It is recommended that the user of this appraisal engage the services of a professional home inspector, building inspector, or environmental inspector.

21. It is assumed that there are no structural defects hidden by floor or wall coverings or other hidden or unapparent conditions of the property; that all mechanical equipment and appliances are in good working order; and that all electrical components and the roofing are in average-to-good condition. If the *Intended User* has any questions or concerns regarding these items, it is the *Intended User's* responsibility to order the appropriate inspections. The appraiser does not have the skill or expertise needed to make such inspections. The appraiser assumes no responsibilities for these items.

22. It is assumed all rental and expense information provided to the appraiser is accurate. The appraiser assumes no responsibility for independently verifying this information. If the *Intended User* has any questions regarding this information, it is the *Intended User's* responsibility to seek whatever independent verification is deemed necessary.

23. If the subject property is encumbered, in whole or in part, by a tenant affiliated with the property owner, it is assumed that the *Intended User* will have control over the level of rent paid by such tenant and that the rent could be adjusted to a market rate at any time.

PREVIOUS APPRAISAL QUESTIONNAIRE

Has the appraiser previously appraised the subject property?: ___ Yes _X_ No

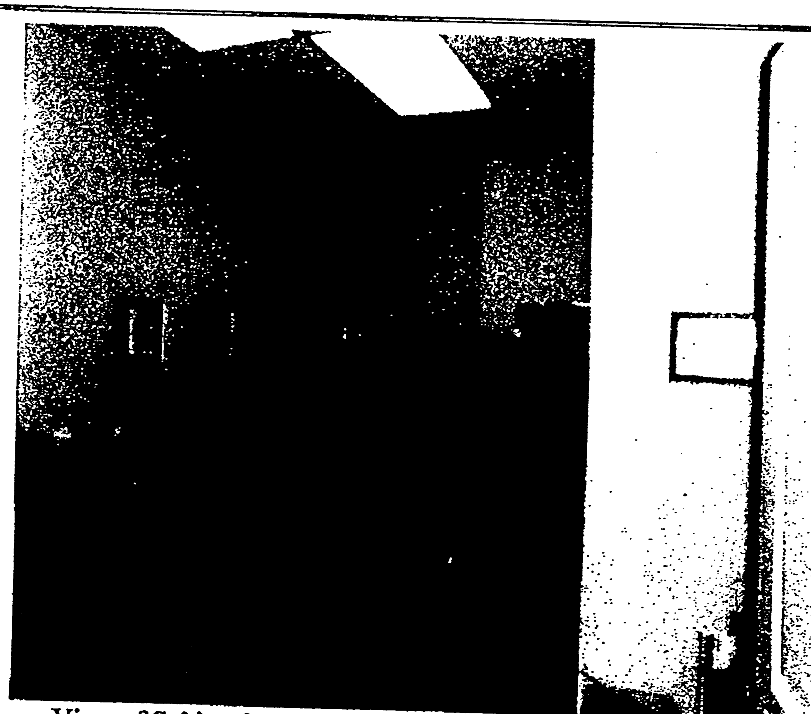
If the appraiser has previously appraised the subject property, was the appraisal ordered by and addressed to a Financial Services Institution?: ___ Yes ___ No

SUBJECT PHOTOGRAPHS

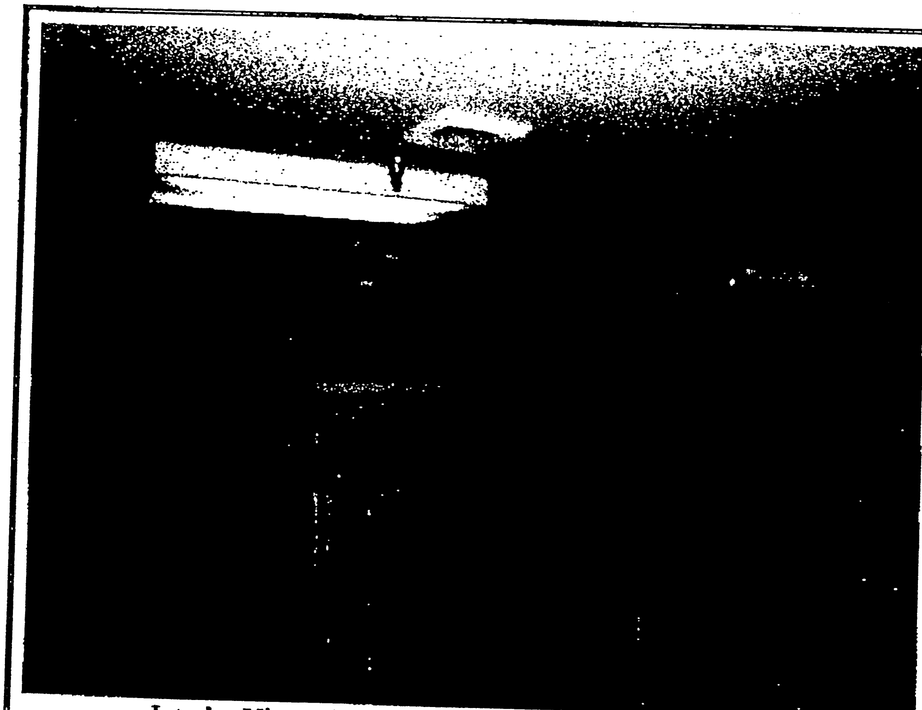
Front View of Subject Property

Rear View of Subject Property

SUBJECT PHOTOGRAPHS



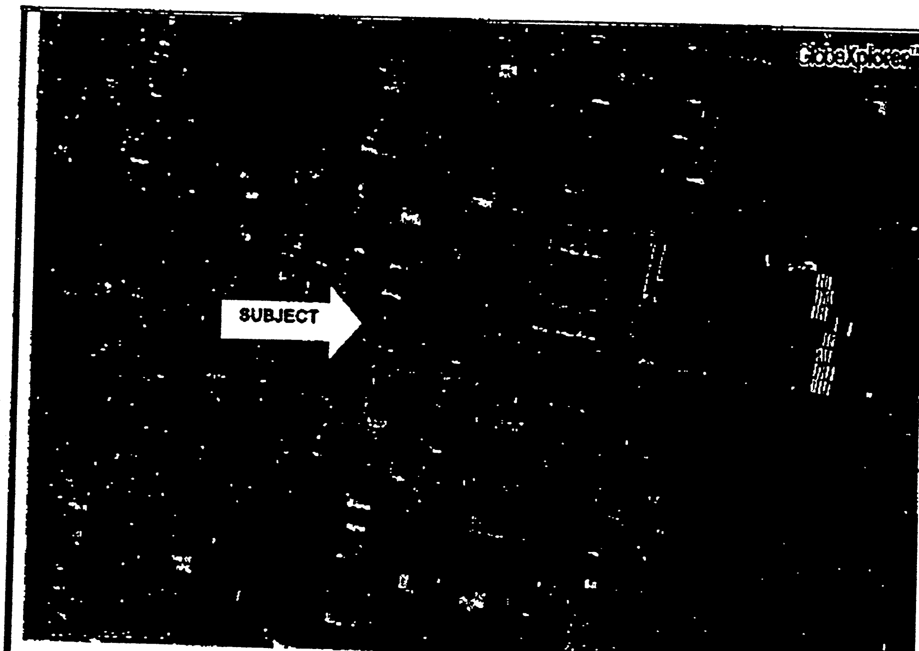
View of Subject Property's Above-Grade Office Space



Interior View of Subject's Below-Grade Storage Space

SUBJECT PHOTOGRAPHS

Street Scene – Looking West on Pendleton Street; Subject Property is on the Photographer's Left



Aerial View of Subject Property

SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

Property Description:	The subject property consists of a single tax parcel of C-L zoned land situated on the northeastern corner of the intersection of Pendleton Street and N. Columbus Street in the Old Town neighborhood of the City of Alexandria, Virginia. The site is improved with an office building. As of the effective date of the appraisal, the property is occupied by a single, owner-related tenant.
Property Rights Appraised:	The property rights appraised comprise the Fee Simple Estate.
Highest and Best Use:	As Improved
Site Area:	3,744 Square Feet
Census Tract Number:	2018.01
FEMA Flood Map Number:	According to FEMA Flood Map Community Panel Number 515519 0005 D (dated 5/15/91), the property lies within a Zone X, a designated area of minimal flooding.
Improvements:	The site is improved with a single-story, plus below-grade level, masonry office building containing approximately 3,720 square feet of above-grade Gross Building Area (GBA).
Zoning:	C-L (Commercial Low Zone); City of Alexandria
Public Utilities:	Public water, sewer, natural gas, electricity, and telecommunications are available to the site.
Market Value Opinion "As Is" as of June 7, 2004:	***$780,000***
Appraiser:	Thomas P. Gallup, MAI Virginia Certified General Appraiser No. 002511

II. GENERAL INFORMATION

IDENTIFICATION OF THE PROPERTY

The subject property consists of a single tax parcel of C-L zoned land situated on the northeastern corner of the intersection of Pendleton Street and N. Columbus Street in the Old Town neighborhood of the City of Alexandria, Virginia. The 3,744 square foot site supports a one-story, plus a below-grade level, masonry office building consisting of 3,720 square feet of above-grade Gross Building Area (GBA).

According to tax records the subject site has the street address of 717 Pendleton Street, Alexandria, Virginia and is located in the 22314 zip code area. The subject can further be identified by its Data Bank Number of 11641000.

HISTORY OF SUBJECT PROPERTY

Research was conducted to identify, analyze and consider: a) any agreement of sale, option, or listing of the property being appraised, and b) any prior sale of the property that occurred in the three years preceding the effective date of this appraisal.

To the best of the appraiser's knowledge, as of the effective date of this appraisal, legal title to the subject property was vested in the name of ACC Holdings LLC. Historically, the subject has been an office building.

According to the public records searched, the subject property has not changed hands during the three years preceding the effective date of this appraisal. As of the effective date of the appraisal, the property is occupied by a single, owner-related tenant.

The above should not be construed as a report of title. The information provided is only a recitation of information the appraiser believes to be accurate.

PURPOSE OF THE APPRAISAL

The purpose of this appraisal was to form an opinion of the **Market Value** of the Fee Simple interest in the subject property. **The opinion of value rendered herein is expressed in terms of cash.**

In my opinion, this appraisal report has been prepared in accordance with the appraisal guidelines, regulations and conditions set forth by the Office of the Comptroller of the Currency, Access National Bank, and according to guidelines as established by the Appraisal Institute. This appraisal has also been prepared to conform to the Uniform Standards of Professional Appraisal Practice (USPAP) as adopted by the Appraisal Foundation. This appraisal was specifically intended to meet the criteria of a *Complete, Summary* report as defined in Standard 2-2 of USPAP.

INTENDED USER OF THE APPRAISAL

The *Intended User* of this report is Access National Bank. No other user is acknowledged or authorized to view the opinions and conclusions contained herein. **Any party who uses or relies upon any information**

or conclusions in this report, without the appraiser's written consent, does so at their own risk. Discussions with the Intended User indicated they will use the report in proper loan underwriting or loan classification and that they are generally knowledgeable in real property appraisal techniques and procedures.

FUNCTION OF THE APPRAISAL

The purpose of the appraisal was to establish a value of the real estate for use as collateral in proper loan underwriting or loan classification. Knowledge of this function is not, and in no way should be, considered as a source of bias with regard to the values presented herein.

PROPERTY RIGHTS APPRAISED

The property rights appraised comprise the Fee Simple estate in the property. It is assumed that the property is free and clear of any outstanding liens and encumbrances not referred to in the appraisal, and that the property has a marketable title.

DATE OF VALUE OPINION AND APPRAISAL DATE

The effective date of this appraisal is June 7, 2004 for the ***"As Is"*** value opinion. This date coincides with the most recent detailed inspection of the property and is the date to which all data collected and analyses performed is oriented. This appraisal was prepared on or about June 11, 2004.

SCOPE OF THE ASSIGNMENT

As part of the investigation and appraisal development, a number of independent investigations and analyses were made. Also, in-house data from appraisal files were relied upon, which are updated regularly. Listed below are the most important data sources.

Neighborhood and Market Analysis - The Neighborhood and Market Analysis was developed using numerous data sources such as U.S. census data, the Washington Post, the Washington Business Journal, the Real Estate Journal Interactive, and other publications. Various reports published by local governments and the Council of Governments were analyzed. A visual survey of the subject's immediate area was conducted. Knowledgeable market participants (real estate agents, brokers, investors, planners and appraisers) active in the area were contacted for input as to the future trends of the area and properties similar to the subject. Demographic information was obtained from the U.S. Census.

Site Description and Analysis - The subject site was physically inspected and photographs of the property and surrounding area were taken. A Site Plan was reviewed.

Improvements Description and Analysis - The subject property is improved with an office building. The property was physically inspected on the previously cited date of appraisal. A Copy of the Building's Floor Plans were reviewed.

Valuation - The property was appraised using two of the three traditional approaches to value; the Sales Comparison Approach and the Income Approach. Data pertaining to comparable sales was collected from public records and verified by market participants, brokers, and appraisers. Data pertaining to comparable leases and expenses was collected from in-house files and other sources and verified by market participants, brokers, and appraisers.

Jane M. Diven assisted in the property inspections, data gathering, economic analysis and report preparation.

DEFINITIONS

Appraisal - "(*n.*) The act or process of developing an opinion of value; an opinion of value. (*adj.*) Of or pertaining to appraising and related functions such as appraisal practice or appraisal services."[1]

Appraisal Report - "The written or oral communication of an appraisal; the document transmitted to the client upon completion of an appraisal assignment. Reporting requirements are set forth in the Standards Rules in Standard 2 of the Uniform Standards of Professional Appraisal Practice."[2]

Development Procedure - "A technique for valuing undeveloped acreage which involves discounting the cost of development and the probable proceeds from the sale of developed sites."[3]

Fee Simple Estate - "Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."[4]

Fractional Interest - A term "...often used in association with multiple ownerships, such as tenancy by the entirety, joint tenancy, tenancy in common, and community property. Tenancy, in this case, is not the right associated with a lease, but refers to the form of ownership involved"[5].

Leased Fee Estate - "An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease"[6]

Leasehold Estate - "The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions"[7].

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[1]Appraisal Institute, *The Dictionary of Real Estate Appraisal*, Fourth Edition, (Chicago: Appraisal Institute, 2002), p. 15.

[2]Appraisal Institute, *The Dictionary of Real Estate Appraisal*, Fourth Edition, (Chicago: Appraisal Institute, 2002), p. 16.

[3]Appraisal Institute, *The Dictionary of Real Estate Appraisal*, Fourth Edition, (Chicago: Appraisal Institute, 2002), p. 82.

[4]Appraisal Institute, *The Dictionary of Real Estate Appraisal*, Fourth Edition, (Chicago: Appraisal Institute, 2002), p. 113.

[5]Appraisal Institute, *Appraising Partial Interests*, (Chicago: Appraisal Institute, 2002), p. 59.

[6]Appraisal Institute, *The Dictionary of Real Estate Appraisal*, Fourth Edition, (Chicago: Appraisal Institute, 2002), p. 161.

[7]Appraisal Institute, *The Dictionary of Real Estate Appraisal*, Fourth Edition, (Chicago: Appraisal Institute, 2002), p. 162.

REASONABLE EXPOSURE AND MARKETING TIME

Exposure Time is defined as:

> "The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market. Exposure time is always presumed to occur prior to the effective date of the appraisal. The overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time but also adequate, sufficient and reasonable effort. Exposure time is different for various types of real estate and value ranges and under various market conditions."[13]

There are two basic ways to ascertain the Exposure Time of a property:

1. inference from statistical data regarding how long similar, recently sold properties were on the market before selling;

2. information gathered through sales verification and interviews with market participants.

Exposure Time data obtained for recent comparable sales is probably the best indicator of the Exposure Time for the appraised property. The subject of this appraisal is an office building. There was little documented market evidence from which to infer the likely exposure time for the subject. Therefore, indirect evidence of the expectations of market participants was sought. The brokers and leasing agents interviewed during the appraisal process indicated that they believed the subject would sell within twelve months if the property were properly marketed, at an appropriate price. Based on this, it is my opinion that the Exposure Time for the subject, assuming marketing efforts equal to those typical for properties of this type in the local submarket, and, further assuming that it was offered for sale at the market value estimated herein, would have been about one year.

Marketing Time is defined as:

> "Reasonable marketing time is an estimate of the amount of time it might take to sell an interest in real property at its estimated market value during the period immediately after the effective date of the appraisal; the anticipated time required to expose the property to a pool of prospective purchasers and to allow appropriate time for negotiation, the exercise of due diligence, and the consummation of a sale at a price supportable by concurrent market conditions. Marketing time differs from exposure time, which is always presumed to precede the effective date of the appraisal."[14]

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[13]Appraisal Institute, *The Dictionary of Real Estate Appraisal*, Fourth Edition, (Chicago: Appraisal Institute, 2002), p. 105.

[14]Appraisal Institute, *The Dictionary of Real Estate Appraisal*, Fourth Edition, (Chicago: Appraisal Institute, 2002), p. 175.

Marketing Time is best projected by using the information employed to estimate Exposure Time. However, since Marketing Time is dependent upon future events and circumstances, general and specific market trends must be projected.

As suggested above, sales price and Exposure Time are not independent of each other. Marketing Time is also dependent upon the price at which a property is marketed. The implication for the subject is that if the property were placed on the market as of the date of this appraisal it would have to be marketed at a price close to the value estimate arrived at in this report if it were to be successfully marketed within a reasonable time period, one year. It is my opinion that if the subject were marketed at the value estimated in this appraisal, with marketing effort typical of this property type, it would sell within one year. This is supported by the marketing time indicated by comparable sales of other similar, buildings known to the appraiser which have occurred within the subject's surrounding market area. Additional support was provided by discussions with knowledgeable market participants.

Further support is provided by the Korpacz Investor Survey[15] and the Real Estate Outlook[16]. Korpacz reports the average marketing period for the suburban Virginia office property market surveyed was approximately 6.5 months in the Second Quarter 2004 Survey. Cushman & Wakefield report the average marketing period for suburban office properties in the Washington, D.C. market was approximately 5.25 months in the Spring/Summer 2003 survey.

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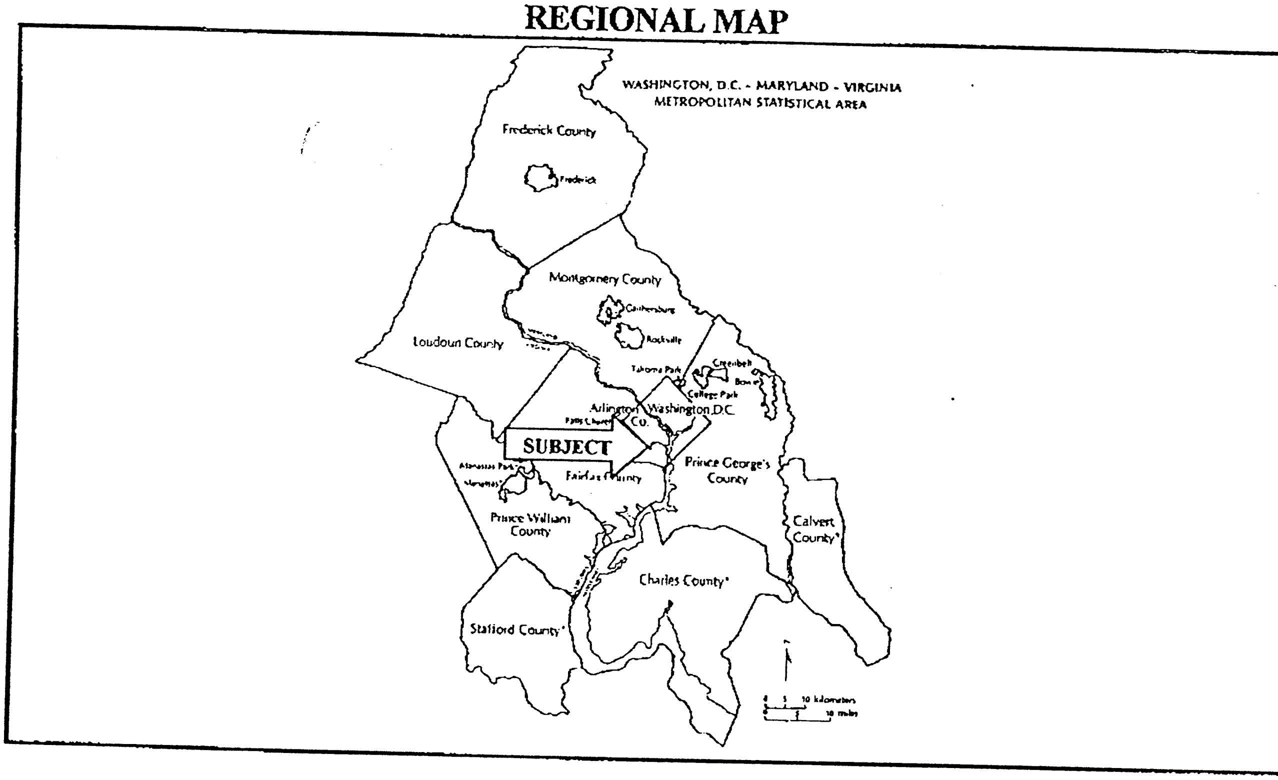
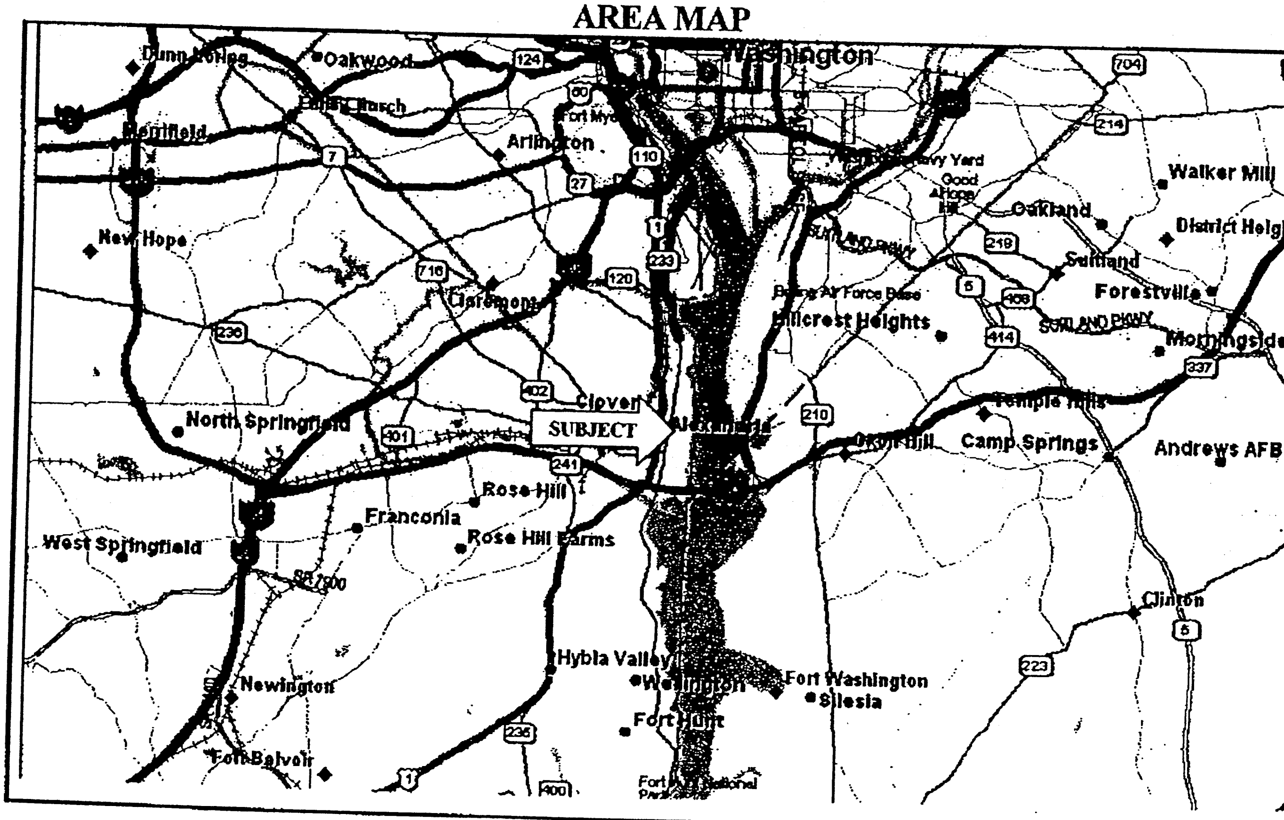
[15] Korpacz Real Estate Investor Survey, Vol. 17, No. 2 (Second Quarter 2004). PricewaterhouseCoopers, LLLP. Islandia, NY.
[16] *Real Estate Outlook*, Spring/Summer 2003. Cushman & Wakefield, NY, NY.

III. NEIGHBORHOOD AND MARKET ANALYSIS

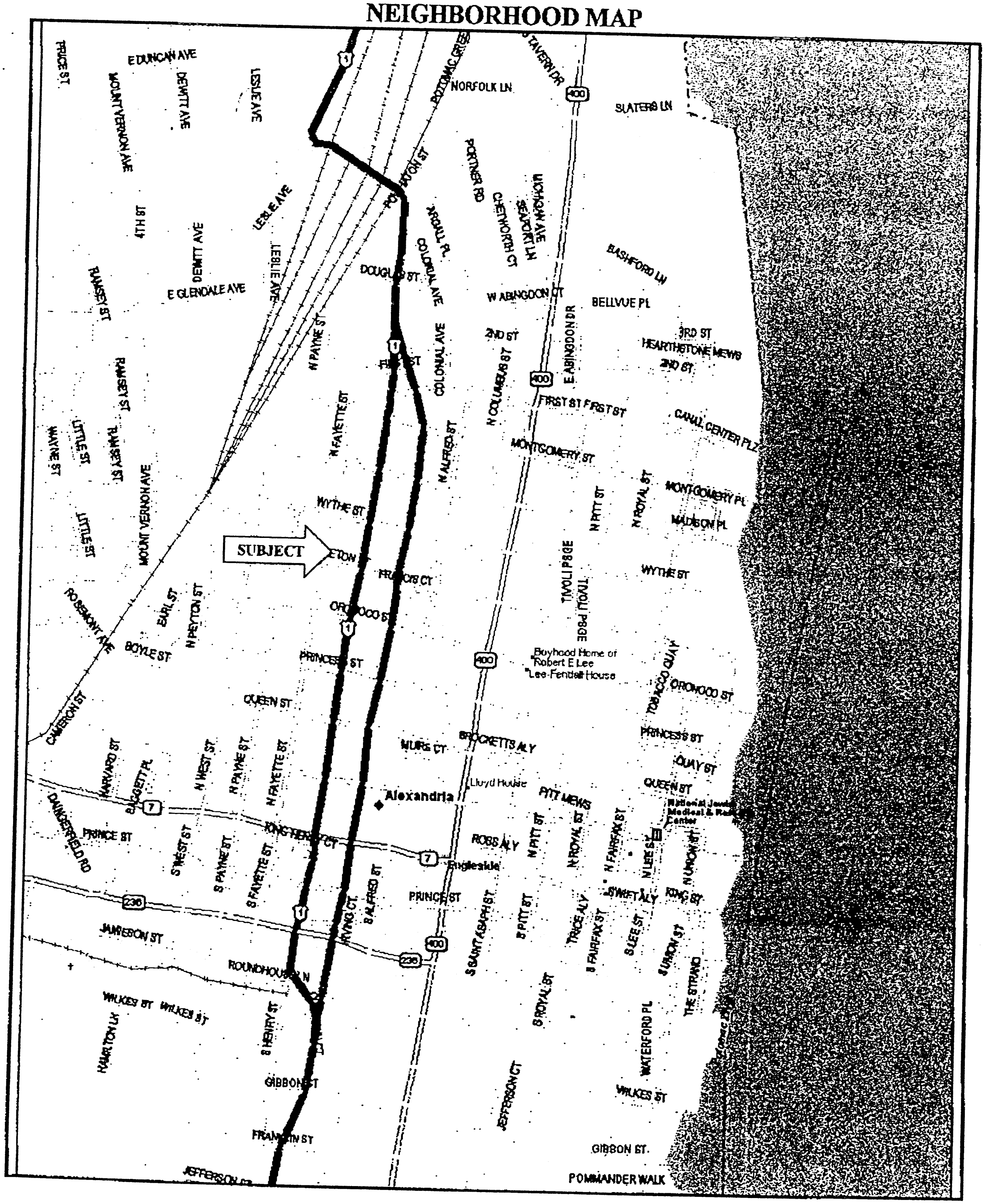
REGIONAL MAP



AREA MAP



NEIGHBORHOOD MAP



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NEIGHBORHOOD, DISTRICT AND MARKET ANALYSIS

NEIGHBORHOOD ANALYSIS

Social, economic, governmental and environmental forces influence property values in the vicinity of a subject property, which affect the value of the subject property itself. The area of influence is the area within which the forces affect surrounding properties in the same way they affect the property being appraised. The area of influence is commonly called the neighborhood. *A neighborhood is defined as a group of complementary land uses.* **A Neighborhood Map delineating the subject's location is included on the preceding page.**

Neighborhood Boundaries and Composition

The following boundaries make up the neighborhood within which the subject property resides:

Northern Boundary:	Slater Lane
Southern Boundary:	I-495/95
Eastern Boundary:	Potomac River
Western Boundary:	CSX/Metrorail Tracks

The immediate area is comprised of a variety of land uses; however, commercial and residential are primary among them. Land use patterns within the neighborhood consist mostly of retail buildings, converted single-family residences and mid-rise office buildings surrounding the municipal complex and along the primary roadways (Patrick Street, King Street, Duke Street, Washington Street, etc.). Surrounding these commercial developments, the neighborhood supports a prevalence of urban town homes of mostly moderate- to upper-income single-family homes and multi-family dwellings.

Neighborhood Change

The neighborhood appears to be in the re-developing-to-mature stage of its Life Cycle. Little new commercial construction has occurred in the last three years other than re-development mixed-use projects around the Metrorail stations and the northern end of the waterfront. Land use patterns have remained stable since at the 1980's when renovation and re-development of many under-improved properties increased significantly. These patterns are not expected to change dramatically over the next few years. The overall maintenance/appearance of the properties within the neighborhood is considered average-to-good.

Social Considerations

The population within the subject's zip code is currently 24,664 persons and stable. Dramatic change in the population is not anticipated over the next five years. Crime rate statistics for the subject's zip code are higher than the national average. The total crime index is 7.0 (versus the national average of 3.47) and the personal crime index is 7.0 (county average = 3.40). The quality and availability of educational, medical, social, recreational and cultural services within the neighborhood is considered to be average-to-good in comparison to other neighborhoods within the Washington Metropolitan Area.

Economic Considerations

The average occupant income levels have improved substantially in the last three years. 2003 HUD estimated annual median family income is now $125,232 – up from $106,694 in 2000 and similar to the estimated MA/non-MA median family income of $84,800. Fifty four percent of neighborhood homes are owner-occupied and the age of the average housing stock is 33 years.

Governmental Considerations
The local tax burden relative to services provided is considered to be higher compared to other Washington MSA jurisdictions. The sales tax is 4.5% versus the MSA average of 4.8%; the property tax is $1.08 per $100 of assessed value versus the MSA average of $1.119. No significant zoning or building code restrictions or moratoriums are expected to affect the neighborhood in the immediate future. Fire and public safety, police, schools and most local governmental services are provided by the City of Alexandria and are considered to be slightly superior in comparison to surrounding jurisdictions.

Environmental Considerations
No nearby environmental nuisances or hazards were identified during the data gathering for this appraisal; however, the Intended User is directed to page 4 of the Underlying Assumptions and Limiting Conditions. Land Use, roadway and traffic patterns in the area are typical of suburban locations and do not present any negative influences. The subject is within a commercial zone, which borders a residential zone. A small number of legal uses might be restricted by this proximity (machinery noises, strong odor producing activities, etc.) but this is not considered a strong likelihood. Access to public transportation is average-to-good. Bus routes run along Monroe Street. The nearest Metrorail station is King Street, located fifteen blocks to the southwest. The nearest interstate road is I-495/95, located one mile to the south. The quality and availability of utilities (water, sewer, electricity, telephone and gas) is good.

NEIGHBORHOOD CONCLUSION

In conclusion, the subject is located in an urban neighborhood that is in the developing to mature phase of its economic life-cycle. Presently, the surrounding land use is a mix of residential and commercial uses. Very little change is expected in the surrounding land use over the next five years. Property values in the neighborhood appear to be stable. Neighborhood characteristics are not expected to have a significant value modifying affect on the subject in the near future.

DISTRICT AND MARKET ANALYSIS

The unique quality of districts requires that special factors be considered in their analysis since they can often have a value influencing effect on a subject property. *A District is defined as a type of neighborhood that is characterized by homogenous land uses.* In this analysis, the term District and Market are used interchangeably and refer to the group of properties with similar uses as the subject and subject to the same influences as the subject. The Market may be made up of retail, office, industrial or special-purpose properties. In the case of the subject, the Market is considered to be made up of similar, nearby retail properties.

Market Boundaries
The market of commercial properties competing with the subject is generally referred to as the Old Town Alexandria area. This would include the area north of the Beltway area and south of Arlington. It would include all office properties, both existing and proposed.

Market Supply, Demand and Vacancy
The subject property is improved with a office building. According to CoStar Realty Information, Inc. (publishers of the CoStar Reports – see Addenda), the market for all office properties in the Old Town Alexandria area included 376 buildings with a total of 11,663,618 square feet. Currently, there are 905,044 square feet of space available for lease on the market (including sublet space). This suggests a market vacancy rate of 7.8%. A face rent analysis of the current market suggests office space leases at an average rate of $29.94 per square foot (on a full-service basis).

The subject has average-to-good visibility, is in average condition, adequately constructed with a below-grade storage area; these factors suggest an expected performance that should be near the market average.

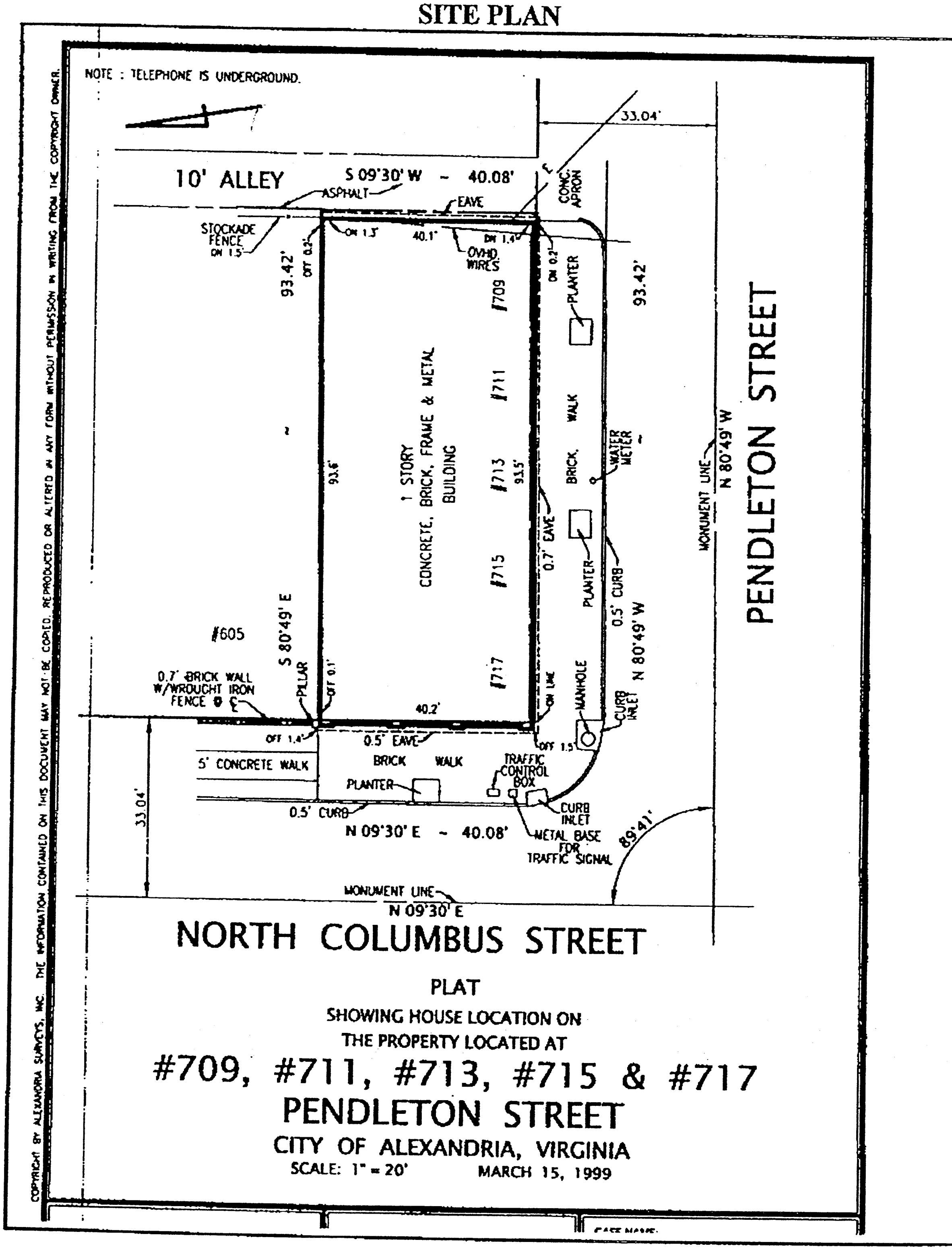
Availability of Financing
Financing for non-institutional grade properties like the subject is generally obtained from local commercial banks and thrifts. A recent survey of Washington, D.C. area banks was conducted by the appraiser. It was concluded that financing for properties in the $1 to $10 Million in value range is readily available – for both owner occupied and "For Rent" projects. Projects that are not owner-occupied are generally required to be at least 75% leased. Typically, loan terms are 20 to 25 year amortizations with three to five year maturities. Fixed Rates currently range from 6.5 to 8.0%. Non-recourse loans are rare and typical Loan-to-value ratios are between 75 and 80%. Financing is not currently considered an impediment to the marketing of commercial properties like the subject.

MARKET CONCLUSION

In conclusion, market conditions appear to be stable at the present time. Supply and demand for commercial space, as evidenced by similar property vacancy rates are in balance. Market reports from local sources are not predicting any significant value influencing trends in the immediate future. Financing for properties similar to the subject is readily available and not expected to change dramatically in the next few months.

IV. SUBJECT INFORMATION

SITE PLAN



NOTE : TELEPHONE IS UNDERGROUND.
10' ALLEY
S 09°30' W - 40.08'
ASPHALT
EAVE
33.04'
CONC. APRON
STOCKADE FENCE ON 1.5'
ON 1.3'
40.1'
ON 1.4'
OVHD. WIRES
OFF 0.2'
ON 0.2'
93.42'
93.42'
PLANTER
#709
#711
#713
#715
#717
1 STORY CONCRETE, BRICK, FRAME & METAL BUILDING
93.6'
93.5'
BRICK WALK
WATER METER
0.7' EAVE
PLANTER
0.5' CURB
N 80°49' W
MONUMENT LINE
N 80°49' W
PENDLETON STREET
#605
S 80°49' E
0.7' BRICK WALL W/WROUGHT IRON FENCE
PILLAR
OFF 0.1'
40.2'
ON LINE
MANHOLE
CURB INLET
OFF 1.4'
0.5' EAVE
OFF 1.5'
5' CONCRETE WALK
BRICK WALK
TRAFFIC CONTROL BOX
PLANTER
0.5' CURB
CURB INLET
N 09°30' E - 40.08'
METAL BASE FOR TRAFFIC SIGNAL
33.04'
89°41'
MONUMENT LINE
N 09°30' E
NORTH COLUMBUS STREET
PLAT
SHOWING HOUSE LOCATION ON
THE PROPERTY LOCATED AT
#709, #711, #713, #715 & #717
PENDLETON STREET
CITY OF ALEXANDRIA, VIRGINIA
SCALE: 1" = 20'
MARCH 15, 1999
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SITE DESCRIPTION AND ANALYSIS

GENERAL

The subject property consists of a single tax parcel of C-L zoned land situated on the northeastern corner of the intersection of Pendleton Street and N. Columbus Street in the Old Town neighborhood of the City of Alexandria, Virginia. The 3,744 square foot site supports a one-story, plus a below-grade level, masonry office building consisting of 3,720 square feet of above-grade Gross Building Area (GBA). **A Site Plan can be found on the preceding page.**

SHAPE AND FRONTAGE

The subject lot is a regular shape, generally rectangular, with approximately 93 linear feet of frontage along Pendleton Street and approximately 40 linear feet of frontage along N. Columbus Street.

TOPOGRAPHY

Surface topography of the site is generally level. Surface water run-off is controlled by curbs and storm drains. Drainage on the site appears to be adequate. Topography does not pose any discernible physical limitation to the use of the site.

CENSUS TRACT DATA AND FLOOD INFORMATION

The subject is situated in Census Tract 2018.01. According to HUD Flood Map Panel Number 515519 0005 D (dated 5/15/91), the property lies within a Zone X, a designated area of minimal flooding.

INGRESS AND EGRESS

There is no vehicular access to the subject site. Pedestrian access is via brick sidewalks that run along Pendleton Street, at the front (southern perimeter) and N. Columbus Street, at the side (western perimeter) of the subject site. Street parking is available along Pendleton Street and N. Columbus Street.

VISIBILITY AND ACCESSIBILITY

The subject property is readily visible from Pendleton Street, which is a secondary, east-west two-lane roadway serving the Old Town Alexandria neighborhood. The property is also visible from N. Columbus Street, a north-south two-lane roadway serving the Old Town Alexandria neighborhood. Through connections to other transportation arteries (Washington Street [George Washington Parkway], US Route 1, I-495, etc.), the property is accessible to all parts of the Washington Metropolitan Area.

As a result of these roadway's linkages to other major transportation arteries, the property is accessible to all parts of the greater Washington Metropolitan Area. Visibility and accessibility is considered to be average-to-good.

EASEMENTS AND ENCROACHMENTS

Other than normal utility, drainage and access easements, the subject site - to the appraiser's knowledge - is not encumbered by unusual restrictions, covenants or other encroachments. The existence of normal easements is not considered to have a negative impact upon value.

The foregoing should not be construed as a title report or title abstract, but merely a recitation of information the appraiser believes to be accurate.

SOIL AND ENVIRONMENTAL CONDITIONS

No evidence of adverse soil or other conditions that would impair the property's continued use was identified during the appraiser's physical inspection of the site.

Notwithstanding the foregoing, the appraiser assumes, and it is a limiting condition of this report (see Statement of Assumptions and Limiting Conditions earlier in this report), that soil conditions are adequate for the subject property. Additionally, it is assumed there are no hazardous conditions or contamination of air, water, or soil that exist on the subject site, or on an adjacent site or parcel in the immediate vicinity of the subject that would adversely affect the value of the subject.

There is no vegetation on the site. No signs of erosion, settlement or land subsidence were observed at the site by this appraiser.

UTILITIES

The subject property is adequately served by natural gas, electricity and telephone services, all of which are provided by privately owned, public utility companies. In addition, the property is served by public water and sewage facilities.

SUMMARY

In summary, the subject's underlying site appears physically adequate in support of the existing commercial improvements. The property is a regular shape and enjoys a suitable topography and configuration, as well as sufficient area upon which its existing improvements are adequately supported. In addition, the property is located within an established commercial district and enjoys good accessibility with convenient proximity to primary transportation arteries. In consideration of these characteristics, it is my opinion that the site underlying the subject property is physically adequate in support of its existing improvements.

ZONING AND TAX ASSESSMENT DATA

ZONING

The appraised property is zoned CL (Commercial Low Zone) under the City of Alexandria zoning ordinance. The CL zone is intended to provide for small scale retail and service uses offering pedestrian oriented shopping and services for individual consumers and households located primarily in nearby residential areas. Proximity to residences requires that commercial operations be conducted at a scale and intensity commensurate with nearby residential development, be developed and designed so as to be in character with such development and be of such characteristics as not to be detrimental or a nuisance to nearby residential properties.

Permitted uses in this category include, not exclusively, residential uses, medical offices, business and professional offices, retail shopping establishment and public schools. The following table shows the setback and area requirements in the CL zone:

ZONING REQUIREMENTS CL ZONE – CITY OF ALEXANDRIA, VA	
Minimum Lot Area	No Minimum
Setback Requirements	None Specified
Height Restrictions	None Specified
Density	None Specified
Parking Requirements	Office – One space per 500 SF of Floor Area
Source: Zoning Ordinance, City of Alexandria	

ZONING SUMMARY

On the basis of a review and inspection of the subject with respect to existing zoning regulations, it appears that the property's utilization is in conformance or has been "grandfathered" under the provisions of the current ordinance.

TAX AND ASSESSMENT DATA

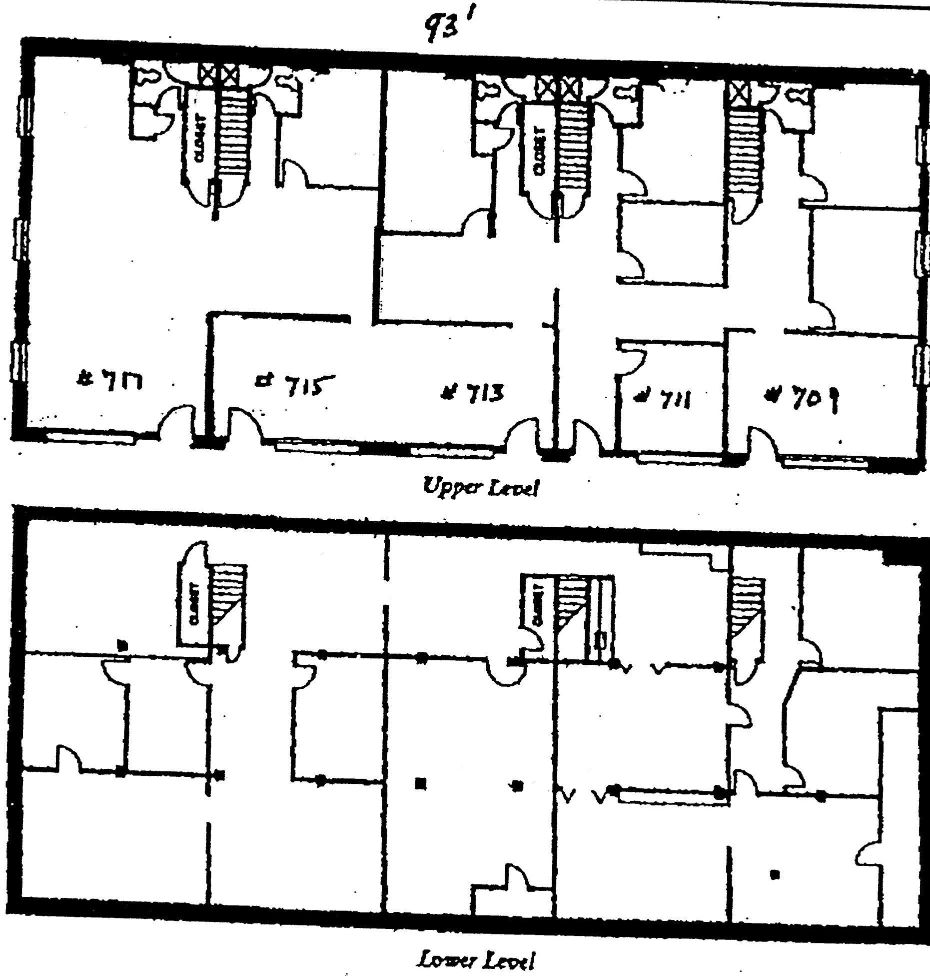
All real estate in the State of Virginia is assessed every year (as of January 1) at a nominal 100% of market value in fee simple. Tax rates are reset every year by the City of Alexandria Board of Supervisors. One-half of the annual tax bill is due on June 5th and the remaining one-half is due on December 5th.

The subject's assessment and taxes are summarized in the following table:

REAL ESTATE ASSESSMENT AND TAXES FOR THE SUBJECT	
Tax Value	
Land Value	$280,800
Improvement Value	$463,200
Sub-Total	$744,000
TOTAL REAL ESTATE TAX BILL	$7,700
Tax Equivalent (per SF of GBA)	$2.07

The total tax bill for the subject for 2003 was $7,700. It is assumed that the subject property's taxes are paid current.

BUILDING FLOOR PLANS



DESCRIPTION OF IMPROVEMENTS

GENERAL

In this section of the report, an examination of the plans and specifications for the improvements was made to establish the building's quality, design, layout, construction details, size, structural components, materials and mechanical systems. A thorough understanding of the physical characteristics of the buildings is necessary for the identification and selection of appropriate comparables. This description is based on an inspection of the site and interviews with parties related to the subject property. **A Copy of a Sketch of the Building Floor Plans can be found on the preceding page.**

BUILDING IMPROVEMENTS

The subject property consists of a masonry office building containing an above-grade level improved for office use and a below-grade level initially improved for office use but currently being utilized for storage. The building is summarized in the following table:

BUILDING DESCRIPTION –
709 – 717 PENDLETON STREET ALEXANDRIA, VIRGINIA

	Amount/Description	Condition
No. of Floors	Two One Above-Grade; One Below-Grade	
Gross Building Area	3,720 Square Feet each level	
Space Use	Above Grade: Offices Below-Grade: Storage	Average Overall
Structural System	Masonry	Average-to-Good
Roof	Flat, Sealed Membrane	Average-to-Good (Assumed)
Floor	Concrete Slab	Average
Exterior Walls	Brick Veneer/Masonry	Average-to-Good
Interior Walls	Painted Drywall	Average
Fenestration	Double Hung Windows in Wood Frames covered with Painted Iron Bars	Average
Floor Coverings	Carpet/Tile	Fair-to-Average
Ceilings	Acoustical Tile with Tube Fluorescent and Incandescent Recessed Lighting	Average
Sprinklered	Yes	
HVAC	Five Gas-Fired, Forced Air Heating and Electric Air Conditioning units	Average-to-Good

FUNCTIONAL UTILITY AND EFFECTIVE AGE

The subject property constitutes typical office space on the street level and typical office space, currently used only for storage, on the below-grade level. The floor plans are functional for this use or other, similar uses.

The building, constructed circa 1950's, was originally constructed as a multi-tenant office building with five, two-level units. Each unit has a separate street entrance, restrooms and internal lower level access. The current property owner renovated the above-grade level space in 1999. Part of the renovation included pass-throughs within the five units. The below-grade level, which has no windows, is improved for office use but was not part of the recent renovation. The current condition of the below-grade space is more suitable for storage.

The subject property suffers from a moderate level of physical depreciation. The building's current condition would require cosmetic updating in order to achieve a market standard. Based on life expectancy guidelines contained in the Marshall Valuation Service cost manual and a physical inspection of the property, the subject's effective age is estimated at 15 years with a remaining economic life of 25 years. However, routine maintenance could significantly prolong the economic life.

SITE IMPROVEMENTS

The building and parking area at the subject property cover approximately 95% of the site. There is a minor amount of under-story growth behind the building improvements.

IMPROVEMENTS SUMMARY

The site improvements appear to be adequate for their use as offices. They are harmonious with surrounding uses and are in average overall condition.

V. HIGHEST AND BEST USE

HIGHEST AND BEST USE

GENERAL

Analysis and interpretation of highest and best use is an economic study of market forces focused on the subject property wherein the appraiser identifies the most profitable, competitive use to which the property can be put. Highest and best use is undoubtedly the most important concept of any appraisal report. It is the foundation on which the market value of the subject is premised. The determination of highest and best use guides appraisers in the collection and analysis of data, and is the primary consideration on which value is based.

Highest and best use is the basis on which all valuation assignments rest, and is the foundation for analyzing feasibility, the reasonable likelihood that a property will satisfy specific objectives. General market and specific property data collected and analyzed to form an opinion of the property value provide the evidence on which the highest and best use conclusion is based.

Highest and best use answers the basic question with regard to the subject property; *how should the property be used?*

In other sections of this report, the market environment and behavior of the economic forces which constitute supply and demand were analyzed. It is those market forces which create market value and are the driving force behind highest and best use analysis. In this section of this report, an examination of the highest and best use has been made as it relates to the subject property.

Highest and best use is defined as:

> "The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability."[17]

Implied in this definition is that the determination of highest and best use takes into account the contribution of a specific use to the community and community development goals as well as the benefits of that use to individual property owners. Hence, in certain situations, the highest and best use of land may be for parks, greenbelts, preservation, conservation, wildlife habitats, and the like.

A study of the highest and best use of a property is the most important, fundamental, and critical of all the valuation steps. Highest and best use analysis identifies the most profitable, competitive use to which the property can be put. This analysis actually involves two separate and distinct studies; analysis of the subject property "As if Vacant" and available to be put to its highest and best use; and analysis of the property "As Improved". Regardless of whether the subject is vacant land or improved, the property must meet four basic criteria. The highest and best use must be 1) physically possible, 2) legally permissible, 3) financially feasible, and 4) maximally productive.

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[17] *The Dictionary of Real Estate Appraisal*, Fourth Edition, (The Appraisal Institute, Chicago, 2002), p. 135.

SUMMARY ANALYSIS AS VACANT LAND

In ascertaining the highest and best use of a site, each of the four criteria delineated in the foregoing was studied. The analytic process involves a careful study of both the impact and relationship of each factor to the subject property, and the best use conclusion reflects the optimal combination of them. Because land is a residual factor of production, land value is analyzed in terms of being available to be put to its highest and best use.

In my opinion, the highest and best use of the subject, as though vacant, would be development of commercial improvements to the highest density permitted by zoning which would benefit from the current demand within the immediate area.

SUMMARY ANALYSIS AS IMPROVED

As was indicated in the Description of Improvements section of this report, the subject is improved with a single-story, masonry office building with a below-grade level. The building is occupied by a single, owner-related tenant. The building improvements are in average condition and are considered to be functionally adequate for their intended use, although they would likely require cosmetic renovations to return the building to a market acceptable level. The building improvements in place are substantial and no alternative use of the land could economically justify their removal in favor of a more profitable use. The building suffers a minor physical obsolescence.

Further, a conversion of the building improvements to any other type of space (i.e., retail) would not likely produce a higher return to the land than the present configuration. Thus, the highest and best use of the property as improved is therefore continued utilization "*As Improved*".

VI. VALUATION

THE APPRAISAL PROCESS

GENERAL

In earlier sections of this report, the valuation problem and property characteristics were defined. Information regarding the social, economic, governmental and environmental influences as they affect the appraised was analyzed, and the highest and best use of the subject was established. The value sought was identified as the **Market Value** of the **Fee Simple** interest in the subject property.

In the sections of this report that follow, general and specific data will be analyzed using the three traditional approaches to value to arrive at the market value of the subject property. Value indications from these approaches will then be reconciled into an indication of the final market value of the property.

THE COST APPROACH

The cost approach is founded on two basic principles, substitution and contribution. The cost approach is generally considered applicable to new or special purpose properties. The principle of substitution uses the premise that an informed and rational purchaser (investor) will pay no more for an existing improved commercial property than the cost of producing a substitute property with the same utility. Contribution holds that the present worth of the improvements, as of the valuation date, is a measure of their contribution to total property value, in addition to the independently estimated value of the site. The cost approach treats the property as a physical entity, separable for valuation purposes into a site and improvements, and adds both site value and the present worth (contribution) of the improvements to derive an indication of value for the property. The site is valued as if vacant and available to be put to its highest and best use as of the valuation date.

Due to the age of the subject's building improvements, it would be difficult to accurately estimate all forms of accrued depreciation. Further, discussions with market participants have indicated that they would be unlikely to develop a cost approach to value when formulation a purchase offer for a property with the subject's characteristics. Given these considerations, the cost approach has been abandoned. The abandonment is *not* considered a departure from the non-binding provisions of USPAP nor is it considered a departure from the specific guidelines of USPAP since the approach is not applicable and would not typically be used in developing the value opinion. When an appraisal does not depart from the non-binding provisions or specific guidelines of USPAP, the appraisal is considered to be a "Complete Appraisal". See USPAP Standard 1-4, 2-2, SMT-7 and AO-15.

THE SALES COMPARISON APPROACH

The sales comparison approach is based primarily on the principle of substitution and is premised on the idea that an informed, prudent and rational purchaser (investor) would pay no more than the cost of acquiring a similar, competitive property with the same utility, as of the valuation date. This approach assumes there is an active market for properties similar to the subject and that the prices paid for similar competitive properties, which represent bona-fide arm's-length transactions, are indicative of the most probable sale price for the subject, as of the valuation date.

THE INCOME APPROACH

The income approach to value is based on the principle of anticipation, and the premise that the value of a property is the present worth of future benefits, in the case of the subject, the present worth of future net income receipts over a specific period of time. The net income is then converted to an indication of value using the process of capitalization. The income approach involves analysis of the potential income of the subject, taking into account existing leases (if applicable), market rents, analysis of the costs of ownership which must be incurred to generate that income, and selection, development and application of appropriate capitalization techniques to arrive at indications of value for the subject as of the valuation date.

RECONCILIATION OF THE APPROACHES APPLIED

The final step in the valuation process is the reconciliation or correlation of the value indications produced by the approaches to value applied. After arriving at indications of value from each of the approaches applied, the results are correlated into an indication of value based on the quantity, quality, and reliability of the data analyzed. The approach which is considered to be the strongest and which most accurately mirrors the analytical process of typical market participants is assigned the most weight in arriving at a final value opinion.

THE SALES COMPARISON APPROACH

GENERAL

The Sales Comparison Approach is based primarily on the principle of substitution and compares the subject to recently sold similar properties. A major premise of this approach is that the market value of a property is directly related to the prices of comparable, competitive properties.

As applied to the Sales Comparison Approach, the principle of substitution holds that the value of a given property is suggested by the price that would be paid to acquire an equally desirable substitute having similar utility. The Sales Comparison Approach is applicable to most all types of properties and to most all types of property interests when sufficient reliable sales transactions are available to indicate value patterns in the market.

The subject property requires cosmetic renovations in order to return to a level of market acceptance. Since an insufficient number of sales of buildings in similar condition as the subject could be located, the search focused on sales of office buildings in average-to-good condition in order to develop an opinion of value "As If Painted and Carpeted". In a later section of this report, the value opinion "As Is" will be developed by extraction.

The following procedure was used to form an opinion of the market value of the subject "As If Painted and Carpeted" using the Sales Comparison Approach:

1. Research the market for recent sales of properties with similar utility. In the case of the subject, the market was searched for office buildings in average-to-good condition in the Old Town Alexandria and surrounding areas of Northern Virginia. Several sales were identified as comparable to the subject.

2. Verify the collected sales data to ensure the sales represent arms-length transactions.

3. Select units of comparison and develop a comparative analysis for each sale.

4. Relate the comparable sales to the subject using the elements of comparison developed, and adjust the sale's price of each comparable, if and where appropriate.

5. Reconcile the various indications produced from the analysis of the comparables into a single value indication for the subject.

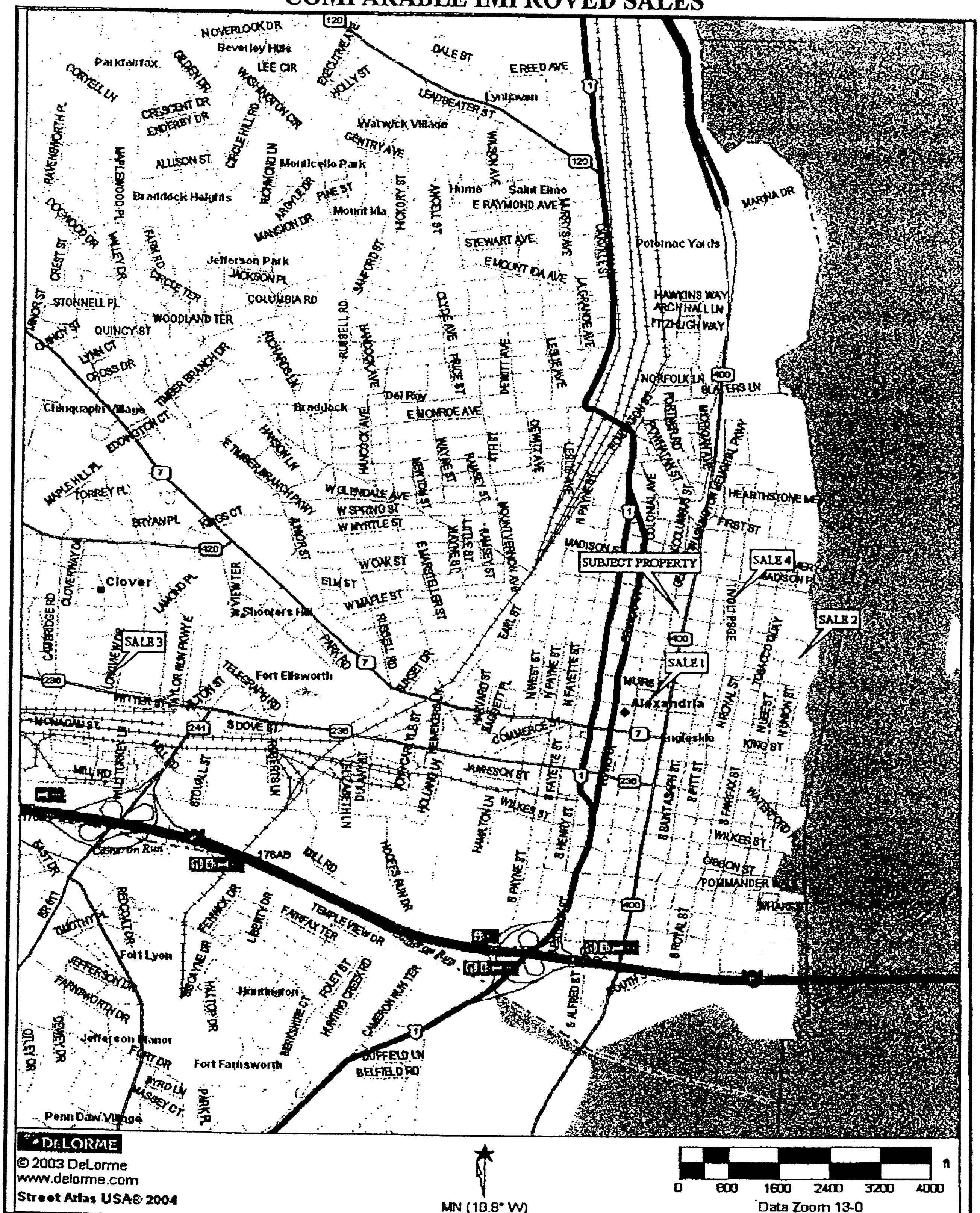
IMPROVED SALES

The subject consists of a single-story, plus below-grade level, office building. Sales of buildings were researched for recent sales of properties with similar utility to the subject as if it has been re-painted and re-carpeted in order to meet a market level. The identified sales, included herein, are considered to be most comparable to the subject. Each of the selected sales conveyed a similar interest, were comparably located, had similar functional utility, and were similar in zoning classification.

An Improved Sales Location Map indicating the location of each sale used in relation to the subject is found on the next page. Subsequent pages provide a more thorough description of each sale. **An Improved Sales Adjustment Grid is provided at the end of this section.**

A discussion of the adjustments that were made to the comparables is also included. Finally, adjusted comparable sale prices are reconciled, and a conclusion regarding the market value of the subject, based on its retail space, is formed.

COMPARABLE IMPROVED SALES



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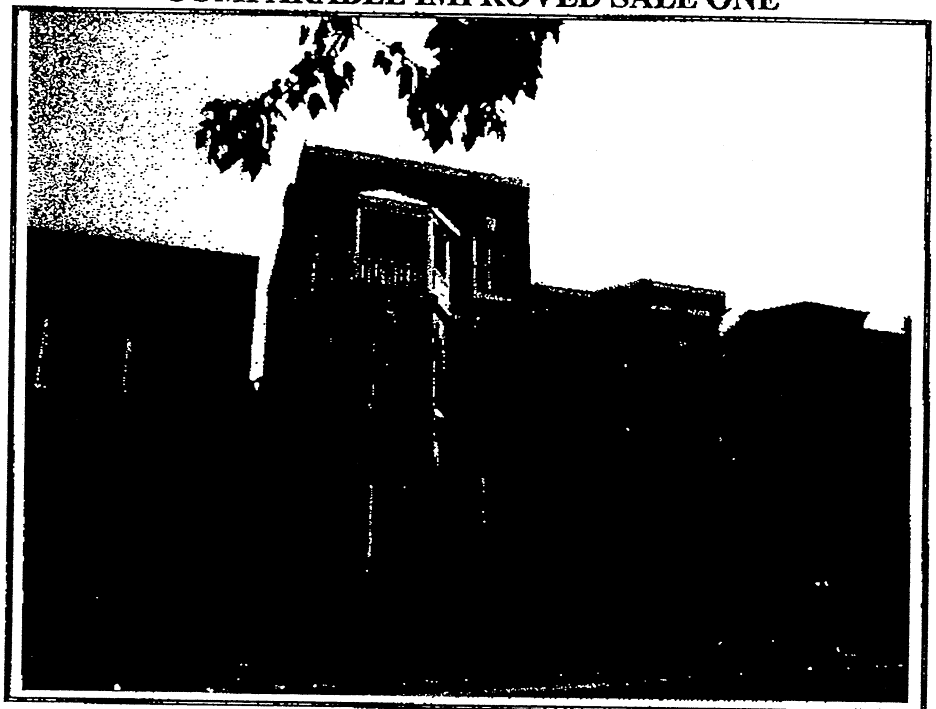
COMPARABLE IMPROVED SALE ONE



Location:	807 – 809 Cameron Street Alexandria, Virginia
Improvement Description:	Office Building
Grantor:	Michael J. Miller
Grantee:	DC Smiles, LLC
Recording Reference:	030039867
Date of Sale:	September 23, 2003
Consideration:	$950,000
Evidence of Favorable Financing:	Yes: No: X
Land Area:	4,730 Square Feet
Gross Building Area:	4,490 Square Feet
Price per Square Foot:	$211.58
Year Built:	Not Available
Zoning:	CD; City of Alexandria

Comments:

Distance from Subject: 5 Blocks Direction: SW

Location Compared to Subject:	Similar	X	Inferior		Superior	
Condition Compared to Subject:	Similar		Inferior	X	Superior	
Size Compared to Subject:	Similar	X	Inferior		Superior	
Quality/Use Compared to Subject:	Similar	X	Inferior		Superior	
Zoning Compared to Subject:	Similar	X	Inferior		Superior	
Visibility/Access Versus Subject:	Similar	X	Inferior		Superior	
Other (On site Parking):	Similar		Inferior		Superior	X
Other (Below Grade Storage):	Similar		Inferior	X	Superior	

Comments:

COMPARABLE IMPROVED SALE TWO

Location:	117 Oronoco Street Alexandria, Virginia
Improvement Description:	Office Condominium
Grantor:	Ronald J. & Jo Ellen Banks
Grantee:	Presidential Classroom for Young Americans
Recording Reference:	030034672
Date of Sale:	August 15, 2003
Consideration:	$495,000
Evidence of Favorable Financing:	Yes: No: X
Land Area:	Not Applicable
Gross Building Area:	1,694 Square Feet
Price per Square Foot:	$292.21
Year Built:	1981
Zoning:	OC; City of Alexandria

Comments:

Distance from Subject: 7 Blocks Direction: SE

Location Compared to Subject:	Similar	X	Inferior		Superior	
Condition Compared to Subject:	Similar		Inferior	X	Superior	
Size Compared to Subject:	Similar	X	Inferior		Superior	
Quality/Use Compared to Subject:	Similar	X	Inferior		Superior	
Zoning Compared to Subject:	Similar	X	Inferior		Superior	
Visibility/Access Versus Subject:	Similar	X	Inferior		Superior	
Other (On site Parking):	Similar		Inferior		Superior	X
Other (Below Grade Storage):	Similar		Inferior	X	Superior	

Comments:

COMPARABLE IMPROVED SALE THREE

Location:	2849 Duke Street Alexandria, Virginia
Improvement Description:	Office Condominium
Grantor:	Richard & Yu-Wen Lee
Grantee:	Esam & Badira Omeish
Recording Reference:	030020575
Date of Sale:	May 15, 2003
Consideration:	$315,000
Evidence of Favorable Financing:	Yes: No: X
Land Area:	Not Applicable
Gross Building Area:	1,697 Square Feet
Price per Square Foot:	$185.62
Year Built:	1985
Zoning:	CL; City of Alexandria

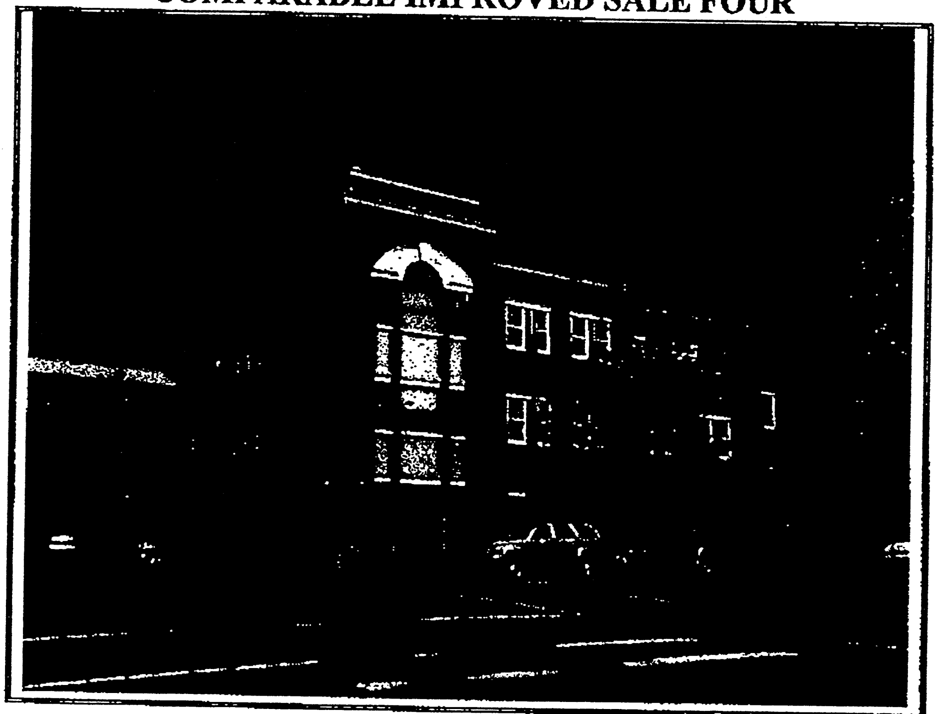
Comments:

Distance from Subject: 2 Miles Direction: SW

	Similar		Inferior		Superior	
Location Compared to Subject:	Similar	X	Inferior		Superior	
Condition Compared to Subject:	Similar		Inferior	X	Superior	
Size Compared to Subject:	Similar	X	Inferior		Superior	
Quality/Use Compared to Subject:	Similar	X	Inferior		Superior	
Zoning Compared to Subject:	Similar	X	Inferior		Superior	
Visibility/Access Versus Subject:	Similar	X	Inferior		Superior	
Other (On site Parking):	Similar		Inferior		Superior	X
Other (Below Grade Storage):	Similar		Inferior	X	Superior	

Comments:

COMPARABLE IMPROVED SALE FOUR



Location:	507 Wythe Street Alexandria, Virginia
Improvement Description:	Office Condominium
Grantor:	Independent Electrical Contractors, Inc.
Grantee:	Forest Lake, LLC
Recording Reference:	020037235
Date of Sale:	November 12, 2002
Consideration:	$403,000
Evidence of Favorable Financing:	Yes: No: X
Land Area:	Not Applicable
Gross Building Area:	1,860 Square Feet
Price per Square Foot:	$216.67
Year Built:	1992
Zoning:	CD; City of Alexandria

Comments:

Distance from Subject: 4 Blocks Direction: NE

Location Compared to Subject:	Similar	X	Inferior		Superior	
Condition Compared to Subject:	Similar		Inferior	X	Superior	
Size Compared to Subject:	Similar	X	Inferior		Superior	
Quality/Use Compared to Subject:	Similar	X	Inferior		Superior	
Zoning Compared to Subject:	Similar	X	Inferior		Superior	
Visibility/Access Versus Subject:	Similar	X	Inferior		Superior	
Other (On site Parking):	Similar		Inferior		Superior	X
Other (Below Grade Storage):	Similar		Inferior	X	Superior	

Comments:

ANALYSIS OF THE COMPARABLE SALES

A survey of office buildings was conducted in Northern Virginia; the search focused on Old Town Alexandria and other similar neighborhoods. After reviewing all sales of office buildings that occurred in these areas since July 2002, in the appraiser's opinion, the sales cited above are the best and most recent sales available to compare to the subject.

The appropriate unit of comparison for the sales is the price-per-square-foot of above-grade Gross Building Area.

An Improved Sale Adjustment Grid showing how the comparables were adjusted to arrive at an indication of value for the subject appears at the end of this section.

Before adjustments, the comparable building sales similar to the subject property formed a range from $185.62 to $262.99 per square foot of above-grade GBA. After adjustments, the comparables indicated a range of value for the subject of $176.00 to $250.00 per square foot. Considering all factors influencing the value of the subject, the appropriate dollar amount to apply to the subject was estimated to be $220.00 per square foot for the 3,720 square feet of above-grade GBA or $818,400.

3,720 Square Feet of Above-Grade GBA X $220.00 per Square Foot = $818,400

Based on the Sales Comparison Approach, the ***Market Value*** of the Fee Simple estate in the subject, **"As If Freshly Painted and Carpeted"** was estimated to be **$820,000 (rounded).**

IMPRO[illegible] GRID [a] [illegible]

	Subject	Sale One			Sale Two			Sale Three			Sale Four		
Address:	717 Pendleton St. Alexandria, VA	807 Cameron St. Alexandria, VA			117 Oronoco St. Alenxandria, VA			2849 Duke St. Alexandria, VA			507 Wythe St. Alexnadria, VA		
Date of Sale		23-Sep-03			15-Aug-03			15-May-03			12-Nov-02		
Sale Price				$950,000			$495,000			$315,000			$403,000
Adj. Sale Price				$950,000			$495,000			$315,000			$403,000
Sq.Ft./$ PSF	3,720	4,490		$211.58	1,694		$292.21	1,697		$185.62	1,860		$216.67
QUANTITATIVE ADJUSTMENTS			$	%		$	%		$	%		$	%
Rights Conveyed		Fee Simple	$0.00	0%	Fee Simple	$0.00	0%	Fee Simple	$0.00	0%	Fee Simple	$0.00	0%
Adjusted Price				$211.58			$292.21			$185.62			$216.67
Financing Terms		Market	$0.00	0%	Market	$0.00	0%	Market	$0.00	0%	Market	$0.00	0%
Adjusted Price				$211.58			$292.21			$185.62			$216.67
Conditions of Sale		None	$0.00	0%	Expansion	-$29.22	-10%	None	$0.00	0%	None	$0.00	0%
Adjusted Price				$211.58			$262.99			$185.62			$216.67
Market Conditions		Similar	$0.00	0%	Similar	$0.00	0%	Similar	$0.00	0%	Similar	$0.00	0%
Adjusted Price				$211.58			$262.99			$185.62			$216.67
Sub Total Price			Sale 1	$211.58		Sale 2	$262.99		Sale 3	$185.62		Sale 4	$216.67
QUALITATIVE ADJUSTMENTS													
Location	North Old Town Alexandria		Similar	0		Similar	0		Similar	0		Similar	0
Condition	Fair-to-conditon		Similar	0		Similar	0		Similar	0		Similar	0
Size	3,720		Larger	+		Similar	0		Similar	0		Similar	0
Quality/Use	Office		Similar	0		Similar	0		Similar	0		Similar	0
Zoning	CL		Similar	0		Similar	0		Similar	0		Similar	0
Visibility/Access	Average-to-Good		Similar	0		Similar	0		Similar	0		Similar	0
Parking	On Street Only		Similar	0		Superior	-		Superior	-		Superior	-
Storage	Below Grade		Inferior	+		Inferior	+		Inferior	+		Inferior	+
Net Qualitative				+			-			-			-
Adj. Conclusion				$243.00			$250.00			$176.00			$206.00
Net % Adjustments				15%			-14%			-5%			-5%
Net $ Adjustments				$31.42			-$42.21			-$9.62			-$10.67
Weighting				25%			25%			25%			25%
Weighted Average	$220.00			$60.75			$62.50			$44.00			$51.50

Indicated Market Value	$818,400

[a] A qualitative analysis has been applied and it is recognized that the magnitude of the adjustments vary. In some instances, a single factor can outweigh several other adjustments combined.

Ranking Summary Before Adjustments [b]

Comparable No.	Price PSF	Net Adjustment
3	$185.62	Negative
1	$211.58	Positive
4	$216.67	Negative
Subject	$220.00	
2	$262.99	Negative

Ranking Summary After Adjustments [b]

Comparable No.	Price PSF	Net Adjustment
3	$176.00	Negative
4	$206.00	Negative
Subject	$220.00	
1	$243.00	Positive
2	$250.00	Negative

[b] The comparable sales are grouped in an array relative to the subject property.

Note: The adjustments are approximate and rely on the appraiser's judgment based on market observations. The market may not reflect as much accuracy as the adjustment grid suggests.

THE INCOME APPROACH

GENERAL

The income approach to value is based primarily on the principle of anticipation and uses the process of capitalization to translate an income projection into a present value indication. There are two methods available for analyzing the projected income for income producing properties, direct capitalization with an overall rate (OAR) and the discounted cash flow analysis (DCF).

Direct capitalization involves estimating the gross income of the subject property for a typical or "stabilized" year. From this amount deductions are made for stabilized vacancy to arrive at effective gross income (EGI). Stabilized expenses incurred in operating the property are subtracted from EGI to arrive at net operating income (NOI). The NOI is then divided by an appropriate overall capitalization (OAR) rate to arrive at an opinion of value. The overall rate is derived from sales of similar properties and/or estimated using other market data. Any applicable rent loss is estimated and deducted from the capitalized value.

The DCF method involves projecting estimates of actual cash flows, income, expenses, and resale proceeds over the time a typical investor would own a property similar to the one being appraised, the holding period. These cash flow estimates are discounted to present value using a discount rate that is derived by analyzing investments similar to the subject or using other market data.

Both methods are widely used. The direct capitalization method has the advantage of simplicity, and is most often used in cases where the income and expenses are likely to be constant or change at a constant rate over the projected holding period. It is also more frequently used when there are a limited number of leases to consider, as in the case of the subject property.

In contrast, the DCF method is usually more time consuming and complicated. However, it has the advantage of being more sensitive to changes in numerous variables (such as vacancy, rent levels, rental concessions, etc.) and can be used to estimate the impact on value of a variety of possible situations. Furthermore, since actual cash flows are estimated, the effect of leases or encumbrances can more accurately be incorporated into the analysis. This makes the DCF method a better tool for estimating partial interests in properties, such as the leased fee estate.

The method which is applied in a particular instance should be based on how the typical purchaser/investor would evaluate the property. The subject of this appraisal historically has been an office building with a small number of tenants. Several factors were taken into consideration in deciding the appropriate method for analyzing the projected net income:

- Discussions with several knowledgeable market investors and brokers regarding how they would analyze the property indicated they would most likely use a direct capitalization;
- Based on the likelihood of limited tenants and tenant turnover, it is assumed that minimal fluctuation in income and expenses will occur over the next few years.

Given the above, the Direct Capitalization technique was used in this report. Outlined below are the major steps involved in applying the direct capitalization method:

1. Estimate the potential gross income based on contract rent, market rent and other income, if any.
2. Estimate effective gross income by estimating and deducting an average vacancy and credit loss factor.
3. Estimate and deduct expenses of operation to arrive at the net operating income.
4. Estimate and apply the appropriate capitalization rate to the net operating income estimate to arrive at the final opinion of value.

POTENTIAL GROSS INCOME ESTIMATE

Existing Leases

The entire property was leased to a single, owner-related tenant as of the appraisal's effective date. As such, an arms-length, third party lease agreement does not encumber the subject property.

ESTIMATE OF MARKET RENT

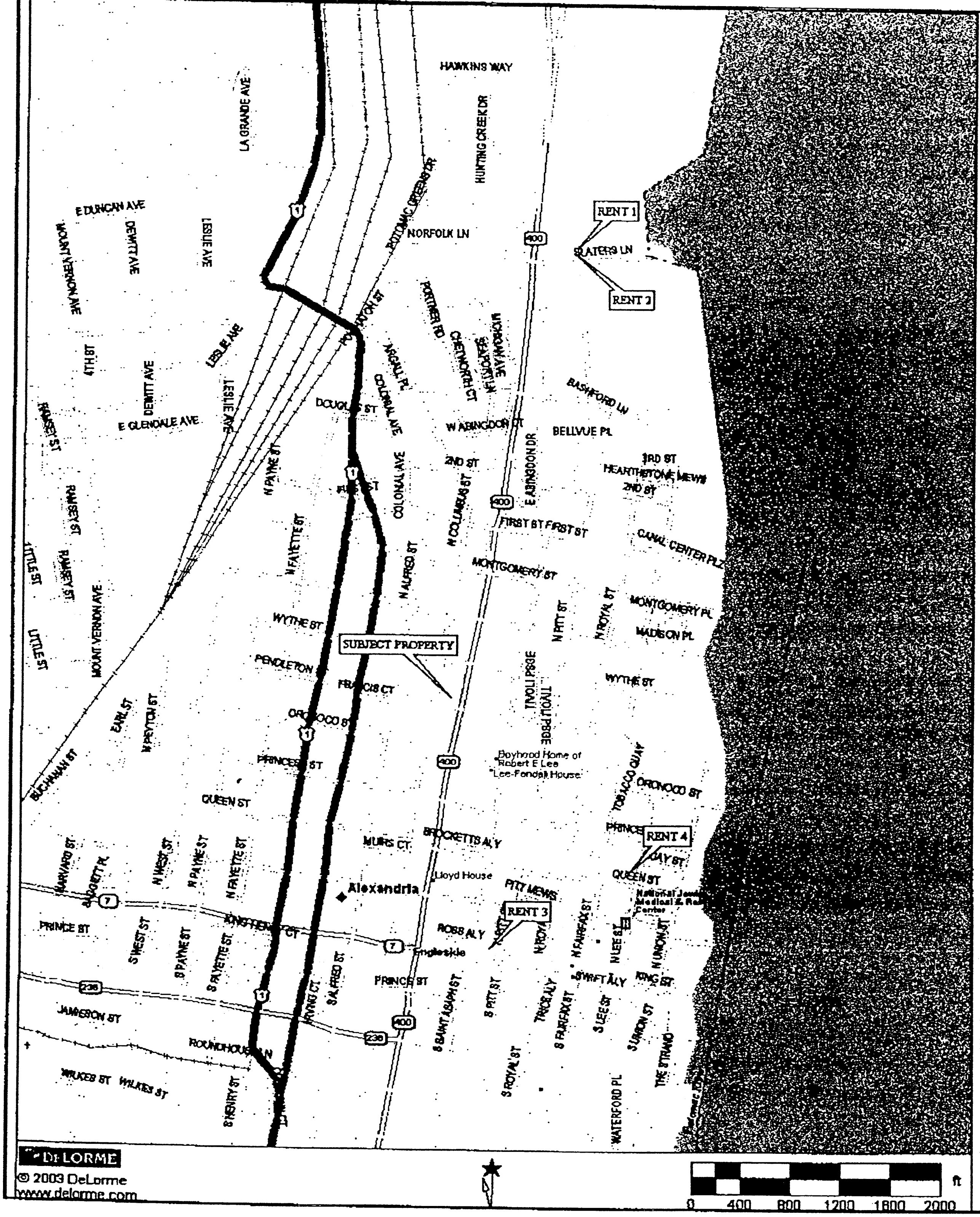
In this analysis, it was necessary to estimate the market rent the subject would likely command when space becomes available for rent. Lease encumbrances above market rates present additional risk; should the tenant become unable, or unwilling, to continue paying more than the market rate, the associated income becomes less stable. Lease encumbrances below market rates give rise to a leasehold estate that detracts from the value of the Leased Fee owner's estate. Contract rents were used until their maturity, assumptions about renewal thereafter are described later in this section.

Rental information was gathered on office space in the market area which was considered comparable to the subject. Sufficient data was found from which to derive an estimate of market rent. The comparables used are presented on the following pages.

Rental Comparables

A map illustrating the location of each rental comparable in relation to the subject is presented on the following page. Subsequent pages contain a brief outline of each rental comparable.

COMPARABLE RENTALS



COMPARABLE RENTAL ONE

Property Address:	625 Slaters Lane Alexandria, Virginia
Tenant:	Dentsply International, Inc.
Space Description:	Office
Size of Space Leased:	1,400 SF
Lease Term:	11/03 – 10/07
Lease Rate:	$25.00 per Square Foot
Lease Expense Provisions	Full Service
Escalations:	CPI Annually (Assumed)
Concessions:	None

Comments:

Distance from Subject: 13 Blocks Direction: NE

	Similar	Inferior	Superior
Condition Compared to Subject:	X		
Visibility Compared to Subject:	X		
Access Compared to Subject:	X		
Size Compared to Subject:	X		
Functional Usefulness of Space Leased Compared to Subject:	X		

Other Comments: This property has on site parking but no additional storage.

COMPARABLE RENTAL TWO

Property Address:	625 Slaters Lane Alexandria, Virginia
Tenant:	American Public Communications Council
Space Description:	Office
Size of Space Leased:	4,248 SF
Lease Term:	06/04 – 05/14
Lease Rate:	$25.50 per Square Foot
Lease Expense Provisions	Full Service
Escalations:	CPI Annually (Assumed)
Concessions:	None

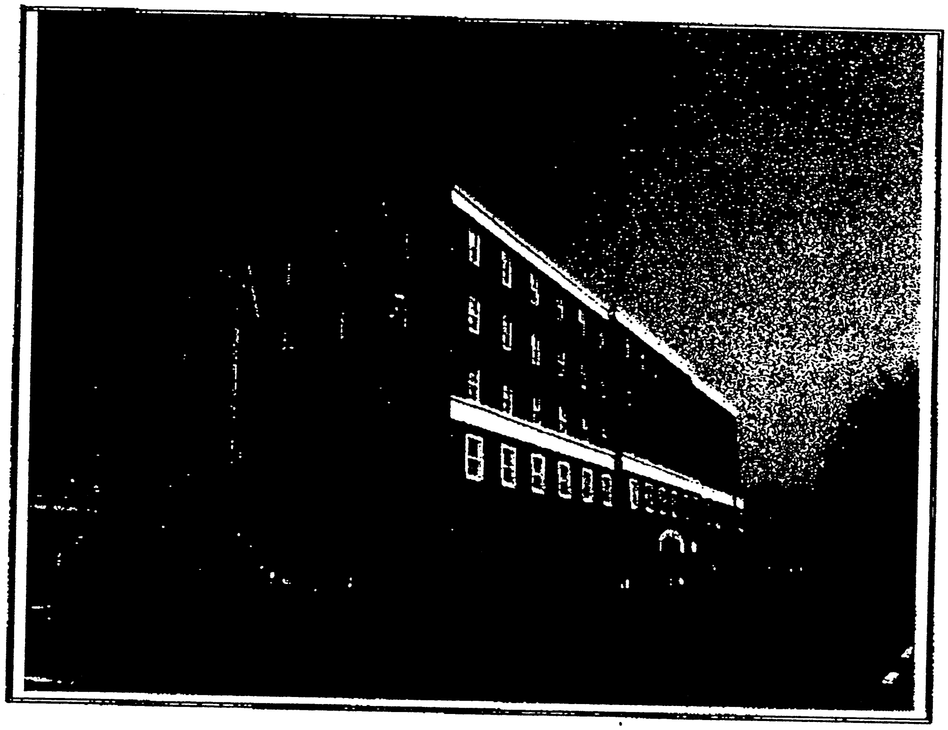
Comments:

Distance from Subject: 13 Blocks Direction: NE

	Similar	Inferior	Superior
Condition Compared to Subject:	X		
Visibility Compared to Subject:	X		
Access Compared to Subject:	X		
Size Compared to Subject:	X		
Functional Usefulness of Space Leased Compared to Subject:	X		

Other Comments: This property has on site parking but no additional storage.

COMPARABLE RENTAL FOUR



Property Address:	300 N. Lee Street Alexandria, Virginia
Tenant:	Scott Management, Inc.
Space Description:	Office
Size of Space Leased:	5,875 SF
Lease Term:	01/04 – 12/08
Lease Rate:	$19.25 per Square Foot
Lease Expense Provisions	Full Service
Escalations:	CPI Annually (assumed)
Concessions:	None

Comments:

Distance from Subject: 8 Blocks Direction: SE

Condition Compared to Subject:	Similar	X	Inferior		Superior	
Visibility Compared to Subject:	Similar	X	Inferior		Superior	
Access Compared to Subject:	Similar	X	Inferior		Superior	
Size Compared to Subject:	Similar	X	Inferior		Superior	
Functional Usefulness of Space Leased Compared to Subject:	Similar	X	Inferior		Superior	

Other Comments: There is on site parking, but no additional storage space here.

Discussion of Rental Comparables

A survey of office rental space in the Old Town Alexandria and surrounding area was performed. A summary of the comparable rental properties, and their adjustments to the subject property's retail space is as follows:

COMPARABLE OFFICE RENT ADJUSTMENT GRID				
	Rent Comp 1	**Rent Comp 2**	**Rent Comp 3**	**Rent Comp 4**
Space Use	Office	Office	Office	Office
Contract Rate of Lease	$25.50/SF	$25.00/SF	$19.00/SF	$19.25/SF
Terms of Lease (Full Service Basis)	0	0	0	0
Date Signed	0	0	0	0
Quality/Use	0	0	0	0
Size	0	0	0	0
Location/Access	0	0	0	0
Physical Characteristics Condition	-	-	0	0
Storage	+	+	+	+
Parking	-	-	0	-
Summary of Changes	-	-	+	-
Indicated Full Service Rent	$23.00/SF	$23.00/SF	$20.00/SF	$18.00/SF
Market Rent Conclusion	$18.25/SF - $23.00/SF			

Based on the cited rental comparables, after adjusting for dissimilarities, the market rent and typical lease terms for space similar to the subject's space, was estimated as follows:

	Office Rents	
Face Rent per Square Foot:	$20.00	
Expense Provisions:	Full Service	
Term:	3 – 5 Years	
Escalations:	Annual increases	CPI
Rental Concessions:	None	

Based on this information, the potential gross income for the subject property is estimated to be $20.00 per square foot, on a full service basis. Based on the building's historic use and its most probable configuration, net rentable area is assumed to equal the above-grade gross building area.

EFFECTIVE GROSS INCOME ESTIMATE

MORTGAGE-EQUITY FORMULA	
	Loan/Value Ratio x Mortgage Capitalization Rate
+	1 – Loan/Value Ratio x Equity Capitalization Rate
=	The Overall Capitalization Rate

Local lending institutions deemed possible lenders for a property such as the subject were surveyed. Also considered were the terms used by investors as surveyed by the Appraisal Institute. Based on the foregoing, the terms and conditions included in the following table are indicative of the current financing market.

MORTGAGE PARAMETERS	
Loan to Value Ratio	80%
Equity Dividend Rate	9%
Current Interest Rate	6.25%
Interest Constant	8.771%
Amortization Term	20 years

Using the foregoing components, a capitalization rate for the subject using the mortgage equity analysis is developed as shown in the following table.

MORTGAGE EQUITY CALCULATIONS

Mortgage Component	x	Equity Component =		Result
Mortgage: .80	x	.08771	=	0.07017
Equity: .20	x	.09000	=	0.01800
Total				0.08817
Rounded To				8.80%

Published Statistical Data

The Cushman & Wakefield Real Estate Outlook, National Investor Survey and The Korpacz Real Estate Investor Survey, publish capitalization rates of commercial properties. According to these sources, the average capitalization rate for commercial properties is found in the following table.

COMMERCIAL CAPITALIZATION RATE SURVEYS

PROPERTY TYPE	Cushman	Korpacz

ESTIMATE OF STABILIZED NET OPERATING INCOME "AS IF PAINTED AND CARPETED"

717 PENDLETON STREET ALEXANDRIA, VIRGINIA

								Subject Property 2003	2002
RENT							% of EGI	Not Available	
Potential Gross Rent - Upper Level Office	3,720	SF @	$20.00	PSF	$74,400				
Potential Gross Rent - Lower Level Storage	3,720	SF @	$0.00	PSF	$0				
Subtotal - Potential Gross Income (PGI)	7,440	SF			$74,400				
Expense Reimbursements					$0	$74,400			
Less Vacancy & Collection Loss	5.00%				($3,720)				
Effective Gross Income (EGI)					$70,680	$70,680	100.00%		
EXPENSES				PSF					
Real Estate Taxes				$1.03	$7,700				
Insurance				$0.30	$2,232				
Utilities				$1.10	$8,184				
Routine Maintenance & Repair				$0.55	$4,092				
Management Fees at 4% of EGI				$0.38	$2,827				
Reserves for Replacement at $0.15/SF				$0.15	$1,116				
Other				$0.00	$0				
Total Expenses				$3.51		$26,151	37.00%		
NET OPERATING INCOME (NOI)						$44,528	63.00%		
Direct Capitalization Rate					8.50%				
Capitalized Value					$523,856		PSF $140.82		
FINAL VALUE CONCLUSION BY DIRECT CAPITALIZATION					$525,000	(Rounded)	$141.13		

80

VII. RECONCILIATION AND FINAL VALUE OPINION

RECONCILIATION AND FINAL VALUE OPINION

The purpose of this appraisal was to form an opinion of the market value of the Fee Simple interest in the subject property. Two of the three traditional approaches to value were developed. The indications of value by these approaches are recapped as follows:

	COST APPROACH	SALES COMPARISON APPROACH	INCOME APPROACH
"AS IF FRESHLY PAINTED AND CARPETED" MARKET VALUE	Not Developed	$820,000	$525,000

The Cost Approach is thought to be reliable for value opinions of new or special purpose properties. In the case of the subject, the cost approach was not developed.

The Sales Comparison Approach is thought to be reliable when there are truly comparable sales to analyze. As previously indicated, there were several sales of comparable office buildings in the area from which to derive a valuation based on the direct sales comparison approach.

The Income Approach estimate of value was derived by measuring the present worth of future benefits from the subject property. The quantity, quality and durability of the income stream that could be generated by the property were examined. The estimate of value was a result of capitalizing a stabilized net operating income that the subject property should be able to generate.

The Sales Comparison Approach is believed to better reflect the actions of buyers in the market for properties similar to the subject. The subject has historically been occupied by a single, owner-related tenant. Many other buildings in the area of a comparable size are similarly occupied. Given the unit's size, location and functionality it is well suited for this use. Therefore, in the final reconciliation of estimates, most weight was given to the Sales Comparison Approach as an indicator of the market's estimate of value.

Based upon an inspection of the property and the investigations and analyses undertaken, subject to the underlying assumptions and limiting conditions set forth in this report, it is my opinion that the ***Market Value*** of the Fee Simple interest in the subject property, ***"As If Freshly Painted and Carpeted"***, as of June 7, 2004 is estimated to be:

EIGHT HUNDRED TWENTY THOUSAND DOLLARS

($820,000)

MARKET VALUE "AS IS"

From the "As If Freshly Painted and Carpeted" value opinion, the costs required to renovate the existing office space into a market acceptable level must be deducted to derive an "As Is" value for the subject.

Currently, the subject is occupied by a single tenant and is considered to be structurally sound. Renovation costs are anticipated to be mostly cosmetic - new paint and carpet and the erection of several non-bearing walls to configure the building to its original five unit layout. Based on information contained in some cool book that Tom has, the costs to do this are estimated to be $10.00 per square foot. Only the above-grade level requires the renovation; the below-grade is assumed to be best utilized as additional storage. Thus,

Market Value Opinion "As If Freshly Painted and Carpeted"	$820,000
Cost to Renovate (3,720 SF X $10 per SF)	$37,200
Market Value Opinion "As Is"	$782,800

The resulting "As Is" value opinion is considered to be $782,800, or $780,000 (rounded).

Therefore, based upon an inspection of the property and the investigations and analyses undertaken, subject to the underlying assumptions and limiting conditions set forth in this report, it is my opinion that the ***Market Value*** of the Fee Simple interest in the subject property, ***"As Is"*** as of June 7, 2004 is:

SEVEN HUNDRED EIGHTY THOUSAND DOLLARS

($780,000)

VIII. QUALIFICATIONS AND ADDENDA

QUALIFICATIONS OF THE APPRAISER

QUALIFICATIONS OF THOMAS P. GALLUP, MAI

GENERAL

August 1991 - Present
Principal and Senior Review Appraiser
Evaluation and Review Associates, Inc. - Olney, MD

- Appraising all types of income-producing real estate including office buildings, shopping centers, commercial/industrial buildings and unimproved land.
- Clients include National and State Chartered Banks, Institutional Investors, Federal, State and Local Government Agencies and Private Investors.

PROFESSIONAL AFFILIATIONS – PAST AND PRESENT

Member of the Appraisal Institute (MAI) No. 11768
Member of the Board of Directors of the Appraisal Institute - Washington, D.C. Chapter
Member of the Foundation of Real Estate Appraisers (FREA)
Member of the Risk Management Associates (RMA) - Potomac Chapter
Member of the Washington Area Self Storage Association
Member of the Greater Washington Board of Trade
Member of the Maryland-National Capital Building Industry Association

PROFESSIONAL CERTIFICATIONS

Certified General Real Estate Appraiser - State of Maryland (License #04-5908)
Certified General Real Estate Appraiser - Washington, D.C. (License #10241)
Certified General Real Estate Appraiser - Commonwealth of Virginia (License #002511)

GENERAL EDUCATION

The American University - Washington, D.C.
Kogod College of Business Administration
M.S. - Finance, December 1986

The Pennsylvania State University - University Park, PA
College of Health and Human Development
M.S - Facilities Management, March 1981

The Pennsylvania State University - University Park, PA
College of Health and Human Development
B.S. - Liberal Arts, June 1979

QUALIFICATIONS OF THOMAS P. GALLUP, MAI - CONTINUED

PROFESSIONAL EDUCATION

The Appraisal Institute: (Continuing Education Certified Through August 2006)
Real Estate Appraisal Principles
Real Estate Appraisal Procedures
Report Writing
Highest and Best Use and Market Analysis
Capitalization Techniques (Part A and Part B)
Advanced Applications (Formerly Case Studies)
Standards of Professional Appraisal Practice
Understanding Limited Appraisals and Appraisal Reporting Options
Separating Real Property From Intangible Business Assets
Appraising From Blueprints and Specifications

Other Education Providers: Appraising The Oddball

Mortgage Bankers Association: Introduction to Construction Lending
Mortgage Bankers Association: Income Property Finance I
AIB/ABA: Commercial Lending School
RMA-OMEGA: Commercial Loans to Business

PROFESSIONAL EXPERIENCE

June 1992 - January 1997
Vice President and Examiner-In-Charge - Credit Review Division
NationsBank - Baltimore, MD

January 1994 - December 1995
Associate Appraiser
Libeg, Moroney & Associates, Inc. - Rockville, MD

January 1990 - December 1993
Associate Appraiser
Philip R. Lamb & Co. - Silver Spring, MD

March 1988 - May 1992
Senior Vice President and Senior Lending Officer
Metropolitan Bank, N.A. - Washington, D.C.

June 1987 - March 1988
Director of Financial Operations
Benco Enterprises, LTD. - Bethesda, MD

1983 - May 1987
Assistant Vice President
First American Bank of Maryland - Silver Spring, MD

QUALIFICATIONS OF THOMAS P. GALLUP, MAI - CONTINUED

REPRESENTATIVE APPRAISAL CLIENTS

National and State Charter Banks, Savings Banks and Thrifts, Institutional Investors, Federal and Local Government Agencies, Attorneys and Private Investors

REPRESENTATIVE TYPES OF PROPERTY APPRAISED

Office Buildings	Shopping Centers	Retail Buildings
Vacant Land	Industrial Buildings	Self Storage Facilities
Apartment Projects	Mixed-Use Projects	Warehouse Condominiums
Churches	Subdivision Development	Office Condominiums
Service Stations		

OTHER

Gallup, Thomas P. "Lending Lessons Learned During Recessions Don't Change With Time" Commercial Lending Newsletter, July 1992, Robert Morris Associates. Philadelphia, PA.

Gallup, Thomas P. "Two Approaches to Valuing Contaminated Real Estate" Commercial Lending Newsletter, June 1996, Robert Morris Associates. Philadelphia, PA.

Gallup, Thomas P. "An Appraisal Update - Questions and Answers for Users of Appraisals and Evaluations" Prime Interest, Summer 1997, Robert Morris Associates. Charlottesville, VA.

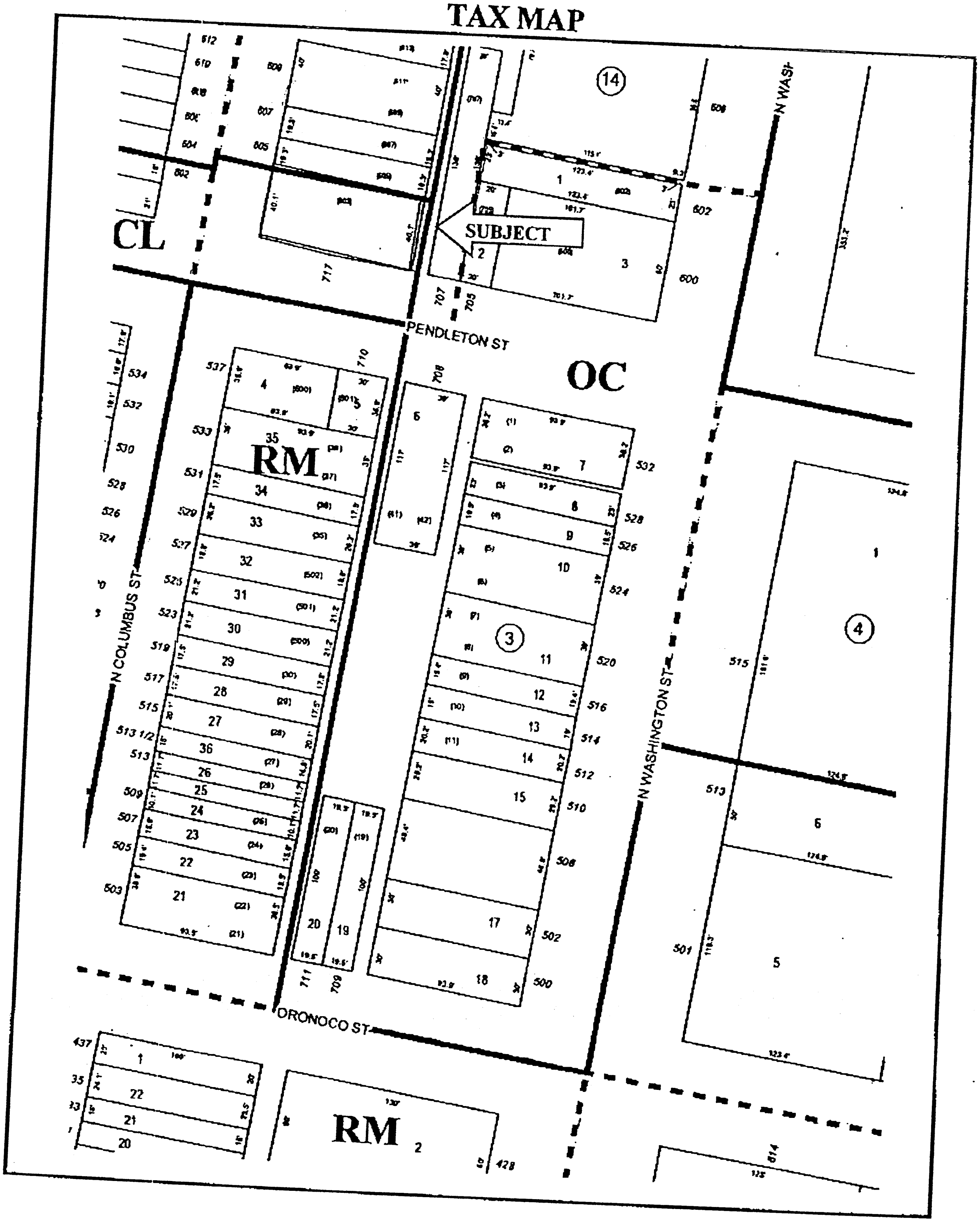
Panelist Loan Review Providers Roundtable Maryland National Capital Area Field Office – Comptroller of the Currency (Washington, D.C.), September 2001.

Member Grievance Committee of The Ethics and Counseling Department Appraisal Institute, Chicago, Illinois 2003-2004.

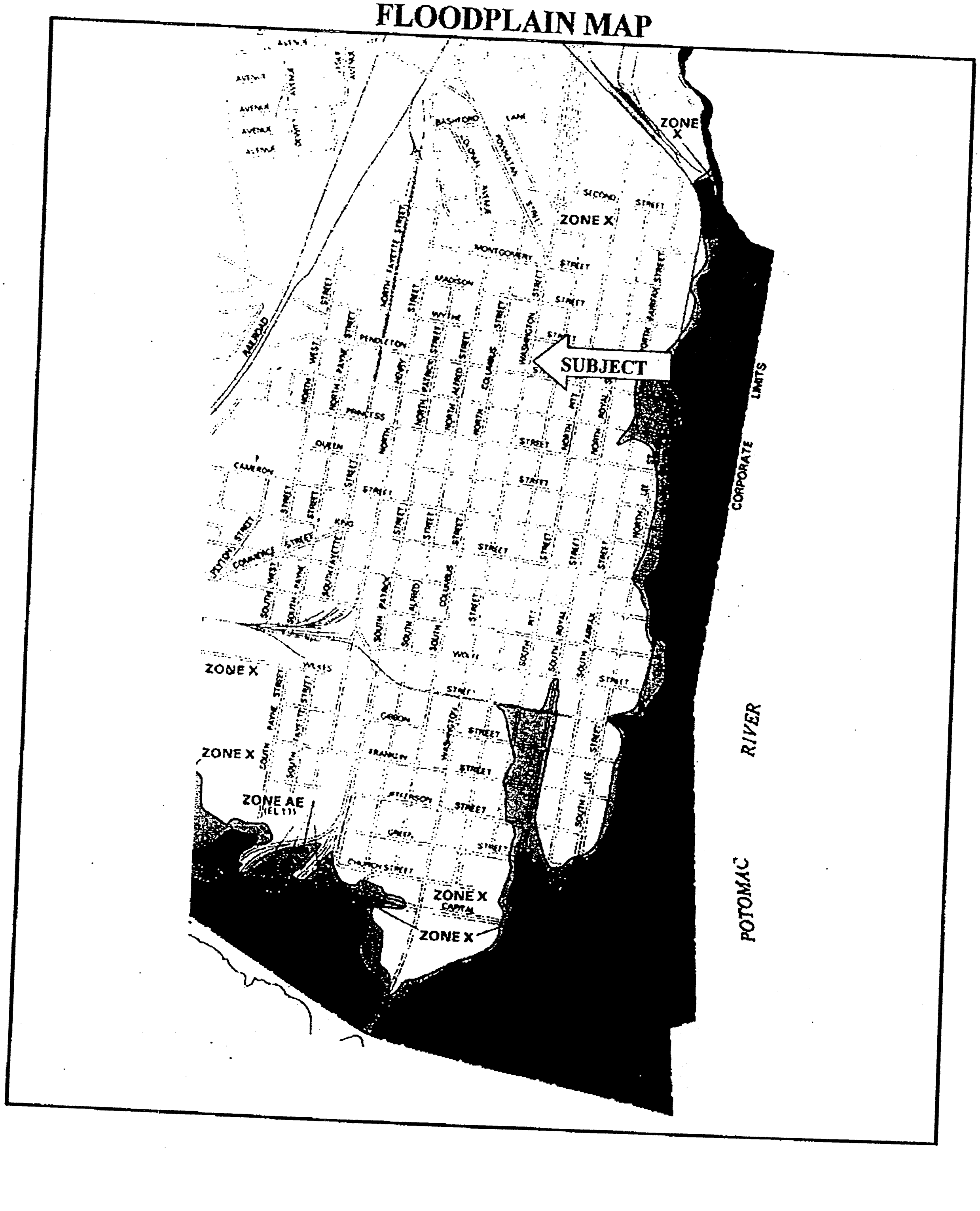
ADDENDA

ADDITIONAL MAPS

TAX MAP


SUBJECT
CL
OC
RM
RM
PENDLETON ST
ORONOCO ST
N COLUMBUS ST
N WASHINGTON ST
N WASH

FLOODPLAIN MAP



DEMOGRAPHIC AND MARKET REPORTS

Geocode Search Result
for 2003 HMDA/CRA Reporting

Street Address	717 PENDLETON ST	**MA Code**	8840
City Name	ALEXANDRIA	**State Code**	51
State Abbreviation	VA	**County Code**	510
Zip Code	22314	**Tract Code**	2018.01

Census Population Information

Tract Population	4727	**Tract Minority Population**	1284
Tract Minority %	27.16	**American Indian Population**	6
Number of Families	906	**Asian/Hawaiian/Pacific Islander Population**	104
Number of Households	2998	**Black Population**	921
White Population	3443	**Hispanic Population**	190
		Other/Two or More Races Population	63

Census Income Information

Tract Income Level	Upper Income	**Tract Median Family Income %**	147.68
2000 MA/statewide non-MA Median Family Income	$72,247	**2000 Tract Median Family Income**	$106,694
2003 HUD Estimated MA/non-MA Median Family Income	$84,800	**2003 Estimated Tract Median Family Income**	$125,232
% below Poverty Line	11.13	**2000 Tract Median Household Income**	$66,646

Census Housing Information

Total Housing Units	3126	**Owner-Occupied Units**	1675
1- to 4- Family Units	1397	**Renter Occupied Units**	1328
Median Year Structure Built	1971	**Vacant Units**	123
Inside Central City?	No	**Owner Occupied 1- to 4- Family Units**	1022

Alexandria Neighborhood Profile

Demographics

	Alexandria, VA	National Average
Population of Alexandria	24664	11571
Median Age	39.4 years	37.41 years
Median Household Income	$70,527	$39,728
Percentage of Single Households	70.2%	44.72%
Percentage of Married Households	29.8%	55.27%
Percentage Families (households with children)	39.6%	69.28%
Average Household Size	1.79 people	2.57 people
Percentage College or Better	71.0%	25.99%
Percentage White Collar	79.4%	47.07%

Cost of Living

	Alexandria, VA	National Average
Cost of Living Index	151.9	102.76
Average Yearly Utility Cost	5160	3250.42
Average Household Total Consumer Expenditures	$64,555 per year	$41,554 per year
Average Household Education Expenditures	$1,133 per year	$729 per year
Average Household Entertainment Expenditures	$3,534 per year	$2,183 per year
Average Household Transportation Expenditures	$13,341 per year	$8,682 per year
Average Household Retail Expenditures	$37,422 per year	$24,198 per year
Average Household Non-RetailExpenditures	$27,142 per year	$17,353 per year

Quality of Life

	Alexandria, VA	National Average
Average Winter High Temperature	44.2 degrees	41.17 degrees
Average Winter Low Temperature	24.3 degrees	22.80 degrees
Average Summer High Temperature	87.3 degrees	86.46 degrees
Average Summer Low Temperature	65.2 degrees	62.23 degrees
Average Annual Precipitation	45.8 inches	38.69 inches
Air Quality Index	54.0	44.69
Total Crime Index	7.0	3.47
Personal Crime Index	7.0	3.40
Culture Index	190.0	93.56

CO-STAR SPACE SURVEYS

Old Town ALexandria Office Rent Analysis Report

	DIRECT SPACES				SUBLET SPACES				TOTAL
	# Spaces	Min	Avg	Max	# Spaces	Min	Avg	Max	Avg
Off/Med									
+ Elec & Clean	1	$18.00	$18.00	$18.00	0	-	-	-	$18.00
Plus All Utilities	1	$17.50	$17.50	$17.50	0	-	-	-	$17.50
Off/Ret									
Full Service	1	$27.50	$27.50	$27.50	0	-	-	-	$27.50
Negotiable	2	-	-	-	0	-	-	-	-
Triple Net	5	$12.00	$20.32	$28.00	0	-	-	-	$20.32
Office									
+ Elec & Clean	1	$19.00	$19.00	$19.00	0	-	-	-	$19.00
Double Net	2	$17.00	$23.67	$26.00	0	-	-	-	$23.67
Full Service	169	$12.00	$29.94	$37.00	22	$8.00	$21.44	$31.00	$28.85
Negotiable	22	$22.00	$22.00	$22.00	4	$19.00	$20.00	$21.00	$20.10
Plus All Utilities	5	$12.00	$15.20	$22.00	0	-	-	-	$15.20
Plus Cleaning	1	$12.00	$12.00	$12.00	0	-	-	-	$12.00
Plus Electric	10	$17.00	$21.71	$28.00	0	-	-	-	$21.71
Triple Net	12	$17.00	$23.28	$26.00	2	$24.00	$24.00	$24.00	$23.47
Utilities & Char	1	$19.00	$19.00	$19.00	0	-	-	-	$19.00
Retail									
Full Service	1	$34.00	$34.00	$34.00	0	-	-	-	$34.00
Negotiable	10	-	-	-	0	-	-	-	-
Triple Net	10	$24.00	$31.38	$40.00	1	$28.00	$28.00	$28.00	$31.25

Old Town ALexandria Office Vacancy Report

Summary totals for existing properties

Period	Properties	RBA	SF Vacant			% Vacant			SF Vacant Available			% Vacant Available			Average Rate		
			Direct	Sublet	Total	Direct	Sublet	Total	Direct	Sublet	Total	Direct	Sublet	Total	Direct	Sublet	Total
Current	376	11,663,616	849,181	127,080	976,261	7.3%	1.1%	8.4%	794,488	110,556	905,044	6.8%	0.9%	7.8%	$28.44/fs	$22.22/fs	$27.49/fs
2004 Q1	375	11,330,089	921,310	200,403	1,121,713	8.1%	1.8%	9.9%	829,055	157,946	987,001	7.3%	1.4%	8.7%	$28.25/fs	$22.95/fs	$27.32/fs
2003 Q4	375	11,330,089	781,720	187,414	969,134	6.9%	1.7%	8.6%	728,852	154,367	883,219	6.4%	1.4%	7.8%	$26.75/fs	$23.84/fs	$26.24/fs
2003 Q3	373	10,921,947	735,413	174,807	910,220	6.7%	1.6%	8.3%	689,657	172,634	862,291	6.3%	1.6%	7.9%	$26.77/fs	$24.16/fs	$26.19/fs
2003 Q2	373	10,921,947	807,186	219,816	1,027,002	7.4%	2.0%	9.4%	724,764	208,248	933,012	6.6%	1.9%	8.5%	$26.66/fs	$24.17/fs	$26.06/fs
2003 Q1	373	10,921,947	737,271	247,289	984,560	6.8%	2.3%	9.0%	620,114	133,252	753,366	5.7%	1.2%	6.9%	$27.74/fs	$23.86/fs	$27.15/fs
2002 Q4	371	10,707,097	794,036	242,059	1,036,095	7.4%	2.3%	9.7%	702,349	240,369	942,718	6.6%	2.2%	8.8%	$27.64/fs	$24.04/fs	$26.76/fs
2002 Q3	371	10,707,097	793,036	211,189	1,004,225	7.4%	2.0%	9.4%	693,988	178,427	872,415	6.5%	1.7%	8.1%	$27.52/fs	$24.09/fs	$26.71/fs
2002 Q2	370	10,700,797	842,172	212,739	1,054,911	7.9%	2.0%	9.9%	740,841	212,739	953,580	6.9%	2.0%	8.9%	$26.40/fs	$26.03/fs	$26.01/fs
2002 Q1	370	10,700,797	732,021	195,395	927,416	6.8%	1.8%	8.7%	716,302	195,395	911,697	6.7%	1.8%	8.5%	$26.60/fs	$25.84/fs	$26.38/fs
2001 Q4	370	10,700,797	703,294	241,636	944,930	6.6%	2.3%	8.8%	635,962	225,617	861,579	5.9%	2.1%	8.1%	$27.03/fs	$24.56/fs	$26.23/fs
2001 Q3	370	10,700,797	637,085	222,150	859,235	6.0%	2.1%	8.0%	599,303	172,410	771,713	5.6%	1.6%	7.2%	$27.85/fs	$25.68/fs	$27.16/fs

Access National Bank

progressive business banking

May 10, 2004

Thomas P. Gallup
Evaluation & Review Associates, Inc.
18500 Fiddleleaf Terrace
Olney, MD 20832

Re: Appraisal Request
7,440 sq.ft. Office Building
717 Pendleton Street
Alexandria, Virginia

Dear Tom:

1. The appraiser agrees to prepare a Complete Summary Appraisal Report of subject property.

2. The purpose of the appraisal is to estimate the market value of the property. The function of the appraisal is to assist the Bank in real estate valuation.

3. The contents of this report shall conform to the Uniform Standard of Professional Appraisal Practice as promulgated by the Appraisal Standards Board of the Appraisal Foundation. The report shall also conform to Access National Bank Standards for Reports attached hereto as Exhibit 1 and the definitions used therein shall coincide with those in Exhibit 2 attached hereto.

4. The appraiser agrees to deliver two (2) original Complete Summary Appraisal Reports to the Bank on or before June 16, signed by the appraiser. The appraiser also agrees to provide a letter or verbal estimate of value approximately one week prior to that date. This deadlines may be waived should circumstances beyond the appraiser's or Bank's control preclude delivery by the above completion date, providing you seek prior approval from the Bank in a timely fashion.

5. The Bank agrees to pay the appraiser, as total compensation for the professional services required to perform herein, an agreed upon appraisal fee of Your fee will be paid by the Bank upon review of the reports for compliance with the terms of this agreement, which

Direct phone 703-564-7585 fax 703-448-2045
8233 Old Courthouse Road, Suite 320 Vienna, Virginia 22182

review will be completed no later than thirty (30) business days after delivery of the report to the Bank.

6. To assist the appraiser in completing these reports, and provided the required information is not otherwise available to the appraiser, the Bank agrees to make every reasonable effort to provide the appraiser with information pertinent to the property that is necessary to complete the assignment.

7. The appraiser certifies that, while others on the appraiser's staff may participate in the preparation of the report, the undersigned appraiser will personally inspect the property, will participate in the analysis contained in the report and will review and certify in accordance with USPAP requirements.

8. This engagement letter and all attachments hereto will be included within the appraisal report.

9. Please contact Adam Schramm at 703-929-1020 to request any additional property related information and to arrange for an inspection of the properties.

If the terms and conditions of this letter and attachments meet with your approval, please return to my attention by fax at 703-448-2045.

Very truly yours,

Donald D. Wipf
Senior Vice President

Enclosures

The undersigned appraiser accepts the terms and conditions of this engagement letter:

Evaluation And [illegible] [illegible], LLC

By: [illegible] Date: [illegible]
Thomas P. Gallup
[illegible]

Exhibit 1

STANDARDS FOR REPORTS

Appraisals performed for Access National Bank are required to meet the appraisal standards and licensing requirements of the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, FIRREA, and all appropriate State and local jurisdictions, must be in writing and presented in an acceptable narrative format that, at minimum, shall:

1. Conform to the Uniform Standards of Professional Appraisal Practice ("USPAP") adopted by the Appraisal Standards Board of the Appraisal Foundation, except that the departure provisions of USPAP shall not apply to federally related transactions;

2. Be sufficiently descriptive to enable the reader to ascertain the estimated market/fair value (as specified in the engagement letter) and the rationale for the estimate as well as provide detail and depth of analysis that reflect the complexity of the real estate appraised;

3. Disclose any steps taken that were necessary or appropriate to comply with the Competency Provision of the USPAP;

4. Clearly identify the property rights being appraised;

5. Be based upon the definition of value (market/fair, etc.) as set forth in the engagement letter;

6. Analyze and report in reasonable detail any prior sales of the property being appraised that occurred within the following time periods;

    1. For 1-to-4 family residential property, one year preceding the date when the appraisal was prepared; and

    2. For all other property, three years preceding the date when the appraisal was prepared.

7. Analyze and report data on current revenues, expenses, and vacancies for the property if it is and will continue to be income-producing;

8. Analyze and report a reasonable marketing period for the subject property;

9. Analyze and report on current market conditions and trends that will affect projected income or the absorption period to the extent they affect the value of the subject property;

10. Analyze and report appropriate deductions and discounts for any proposed construction or

any completed properties that are partially leased or leased at other than market rents as of the date of the appraisal or any tract developments with unsold units;

11. Include in the certification required by the USPAP an additional statement that the appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan;

12. Contain sufficient supporting documentation with all pertinent information reported so that the appraiser's logic, reasoning, judgment, and analysis in arriving at a conclusion indicate to the reader the reasonableness of the market value reported;

13. Include a legal description of the real estate being appraised, in addition to the descriptions required by the USPAP;

14. When valuing distressed property solely on a land value basis that implies demolition or removal of improvements, the cost of demolition and/or removal should be netted against the land value with the estimated cost of removal so reflected;

15. Note any potential environmental hazards; i.e., underground storage tanks, storage containers of known or unknown contents, evidence of waste disposal such as sludge, paints, chemical residues, oil spillage, asbestos content in building material, etc. All environmental problems that may affect the value of the subject property must be dealt with in the appraisal;

16. Identify and comment on any special flood hazard areas;

17. Include comparables on land, improved sales and leases/rents and photographs of the subject property;

18. Identify and separately value any personal property, fixtures, or intangible items that are not real property but are included in the appraisal, and discuss the impact of their inclusion or exclusion on the estimate of value;

19. Follow a reasonable valuation method that addresses the direct sales comparison, income, and cost approaches to market value, reconciles those approaches, and explains the elimination of each approach not used; and

20. If information required or deemed pertinent to the completion of an appraisal is unavailable, that fact shall be disclosed and explained in the appraisal.

Exhibit 2

DEFINITIONS

Appraisal means a written statement independently and impartially prepared by a qualified appraiser setting forth an opinion as to the market value of an adequately described property as of a specific date(s), supported by the presentation and analysis of relevant market information.

Complex 1-to-4 Family Residential Property Appraisal means one in which the property to be appraised, the form of ownership, or market conditions are atypical.

Fair Value means the cash price that might reasonably be anticipated in a current sale under all conditions requisite to a fair sale. A fair sale means that buyer and seller are each acting prudently, and knowledgeably, and under no necessity to buy or sell – i.e., other than in a forced or liquidation sale. The appraiser should estimate the cash price that might be received upon exposure to the open market for a reasonable time, considering the property type and local market conditions. (When a current sale is unlikely – i.e., when it is unlikely that the sale can be completed within 12 months – the appraiser must discount all cash flows generated by the property to obtain the estimate of fair value. These cash flows include, but are not limited to, those arising from ownership, development, operation, and the sale of the property. The discount applied shall reflect the appraiser's judgment of what a prudent, knowledgeable purchaser under no necessity to buy would be willing to pay to purchase the property in a current sale. Whenever the appraiser believes that more than one year is necessary for a fair sale of the property, the appraisal shall state and justify the estimated time and state the annual discount rate applied.)

Gross Retail Value means the aggregate sum of the prospective market values of all the individual units to be sold, with no allowance for carrying costs such as taxes, insurance, interest charges, or other cost of production, marketing costs, sales commissions, financing, or profit. The gross retail value is not discounted to reflect the time value of money.

Market Value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

Buyer and seller are typically motivated;

Both parties are well informed or well advised, and acting in what they consider their own best interests;

A reasonable time is allowed for exposure in the open market;

thereto; and

The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Liquidation Value means the price that an owner is compelled to accept when a property must be sold without reasonable market exposure.

Real Estate Related Financial Transaction means any transaction involving:

21. The sale, lease, purchase, investment in or exchange of real property, including interests in property, or the financing thereof; or

22. The refinancing of real property or interests in real property; or

23. The use of real property or interests in property as security for a loan or investment, including mortgage-backed securities.

State Certified Appraiser means any individual who has satisfied the requirements for certification in a State or territory whose criteria for certification as a real estate appraiser currently meet the minimum criteria for certification issued by the Appraiser Qualifications Board of the Appraisal Foundation. No individual shall be a State Certified Appraiser unless such individual has achieved a passing grade upon a suitable examination administered by a State or territory that is consistent with and equivalent to the Uniform State Certification Examination issued or endorsed by the Appraiser Qualifications Board of the Appraisal Foundation. In addition, the Appraisal Subcommittee must not have issued a finding that the policies, practices, or procedures of the State or territory are inconsistent with Title XI of FIRREA. The OCC may, from time to time, impose additional qualification criteria for certified appraisers performing appraisals in connection with federally related transactions within its jurisdiction.

State Licensed Appraiser means an individual who has satisfied the requirements for licensing in a State or territory where the licensing procedures comply with Title XI of FIRREA and where the Appraisal Subcommittee has not issued a finding that the policies, practices, or procedures of the State or territory are inconsistent with Title XI. The OCC may, from time to time, impose additional qualification criteria for licensing appraisers performing appraisals in connection with federally related transactions within its jurisdiction.

Use Value means the value a specific property has for a specific use.

Value As Is means the value of specific ownership rights to what physically exists and is legally permissible regarding an identified parcel of real estate as of the effective date of the appraisal.

Reznick Group

Reznick Group, P.C.
7700 Old Georgetown Road
Suite 400
Bethesda, MD 20814-6224

Tel: (301) 652-9100
Fax: (301) 652-1848
www.reznickgroup.com

June 10, 2005

Ignacio Pessoa, Esq.
City Attorney
City of Alexandria
301 King Street
Alexandria, VA 22314

Subject: Ace Temporaries, Inc. and ACC Holdings, LLC.

Dear Mr. Pessoa:

Pursuant to your request, we have performed an analysis related to Ace Temporaries, Inc. ("Ace") and ACC Holdings, LLC. ("ACC") in order to assist the City of Alexandria (the "City") in evaluating:

- A fair and reasonable rate of return from an investment in similar businesses;
- The rate of return on investments made in Ace and ACC prior to October 7, 2003.

Our analysis included the following procedures:

- We analyzed the following documents:
  - Letters dated April 27, 2005 and May 5, 2005 (the "Letters") from Ace's attorney, Michael A. Mattock of Walsh, Colucci, Lubeley, Emrich & Terpak, P.C., to Mr. Fred R. Wagner, Esq.;
  - A real estate settlement statement dated 4/1/1999 of ACC Holdings, LLC's ("ACC") purchase of the commercial real estate located at 717 Pendleton Street in Alexandria, Virginia (the "Real Estate Property");
  - An appraisal of the Real Estate Property prepared by Evaluation and Review Associates, Inc. as of June 7, 2004;

- We analyzed certain calculations of investments in Ace and ACC as reflected in Exhibit A of the Letters;
- We adjusted Ace and ACC's invested capital to reflect reasonable investments;
- We developed the appropriate rate of return required for an investment in Ace and ACC;
- We calculated the actual rate of returns over the Return on Investment Period for Ace and ACC;
- We performed a site visit and toured the business location of Ace.

In performing our analysis, we relied upon information provided to us without independent verification. We did not audit or review this information and, accordingly, we do not express any form of assurance on this information. Additionally, the information provided to us was not a sufficient amount of historical data from which to complete an analysis. Accordingly, we were forced to make certain assumptions in completing our analysis and these assumptions are detailed in this report as footnotes to Exhibit I.

The following summarizes our findings:

Ace Temporaries, Inc.

Ace is a day labor agency, which is defined as a place where assignments for employment are made characterized by the daily gathering of workers. A day labor agency operates a dispatch to which at least some workers physically report, apply and wait for work daily, and return to receive their paychecks daily. Day labor is labor that is occasional or irregular at which the person is assigned for not longer than the time period required to complete the work assignment. The majority of day labor workers are not assigned clerical or professional employment.

Ace has been in business since February 27, 1991 it has operated from various business locations. In 1999, Ace entered into a lease agreement with ACC, a related party, and relocated its operations to 717 Pendleton Street. Ace generated a weighted average from 1999 to 2003 after tax cash flow from 1999 to 2003 in the amount of $217,702 per year. The stockholders of Ace Temporaries, Inc. are Mr. Charles Carlton and Mr. Adam Schram.

We estimated Ace's return on investment by estimating Ace's after tax cash flows during the Return on Investment Period and comparing it to our analysis of investments made in Ace. The followings are our results (See Tab 2, page 3).

IRR	52.74%
Payback Period (years)	1.94

Our analysis of the return on investment made in ACC does not include any appreciation in the value of the business. Mr. Carlton is of the opinion that the value of Ace is $2.4 million, of which $1.4 million is intangible asset value. These intangible assets consist principally of customer relationships, a trade name, and to a lesser extent relationships with temporary workers and goodwill. In our opinion, all of these intangibles could be transferred to a new location without a significant loss in value.

ACC Holdings, LLC

Formerly known as ACH, LLC, ACC is the owner of the Real Estate Property. ACC purchased the Real Estate Property on April 1, 1999 and rents the entire property to Ace. The members of ACC are Mr. Charles Carlton and Mr. Adam Schram. In 2003, ACC generated net income in the amount of $7,298 on a cash basis.

In contrast to Ace, which is an operating business, ACC is a real estate holding company. Real estate assets are substantially less risky than operating businesses and, accordingly, investors require a lower rate of return. Investors in real estate expect to get part of their required return from market appreciation. Additionally, the value of real estate is not specific to a particular tenant, and the value of the Real Estate Property is not dependent upon Ace as a tenant. Accordingly, we have included the significant appreciation in the Real Estate Property in determining that the return on investment made in ACC.

To determine the return on investment made in ACC during the Return on Investment Period, we first estimated the investment made in ACC in the amount of $121,091, net of the mortgage. We then estimated the value of the Real Estate Property as of May 1, 2005 in the amount of $804,024 by adjusting the appraised value as of June 7, 2004 for the appreciation expected in the local real estate market. We then estimated the value of equity in ACC in the amount of $464,024 by subtracting the estimated mortgage balance from the value of the Real Estate Property. Our computation of the return on investment was based on the cash flow from the property and the appreciation in value. The following is our estimated return on investment made during the Return on Investment Period (See Tab 2, page 4).

Return on Investment	37.11%
Payback Period (years)	2.55

Fair and Reasonable Rate of Return

We computed a fair and reasonable rate of return for Ace and ACC using observable market rates of return for comparable investments. We adjusted the returns as necessary to reflect the risk inherent in these investments.

- We estimate the appropriate equity rate of return for an investment in a business similar to Ace's business in the amount of 21.0 percent (See Tab 2, page 7);

- We estimate the appropriate equity rate of return for an investment in a real estate property similar to ACC's property in the amount of 13.0 percent (See Tab 2, page 6).

Conclusion

It is our opinion that the owners of Ace and ACC have received an actual rate of return that is significantly higher than a fair and reasonable rate of return on their investment made prior to October 7, 2003.

The following summarizes this analysis:

	ACE	ACC
Actual Return on Investment	53%	37%
Fair and Reasonable Return	21%	13%

We reserve the right to modify our analysis should additional information come to our attention. If you have any questions regarding these matters, or need additional assistance in analyzing your strategies, please call us.

Very truly yours,

REZNICK GROUP, P.C.

Brent S. Solomon MSF, CPA, CVA, CM&A

Tab 1

City of Alexandria
Return on Investment Analysis - Ace Temporaries Inc. ("Ace") and ACC Holdings, LLC ("ACC" or "Real Estate Property")

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Reznick Group, P.C.
Valuation and Transaction Advisory Group

City of Alexandria
Return on Investment Analysis - Ace Temporaries Inc. and ACC Holdings, LLC

Analysis of Investment Made

	Ace Temporaries, Inc. As of 12/31/2003 (a)				ACC Holding, LLC As of 12/31/2003 (a)				Total 12/31/2003
	Invested Capital (per Ace)	Adjustments	Invested Capital (adjusted)		Invested Capital (per ACC)	Adjustments	Invested Capital (adjusted)		Adjusted Invested Capital
Cash and cash equivalents invested	86,498.00	-	86,498.00		13,043.00	(13,043.00)	-	(c)	86,498.00
Accounts Receivable	630,350.00	(630,350.00)	-	(b)	-	-	-		-
Short-term loans receivables	-	-	-		142,877.00	(142,877.00)	-	(e)	-
Other current assets	16,004.00	-	16,004.00		-	-	-		16,004.00
Buildings and improvements	411,316.00	(303,436.00)	107,880.00	(f)	222,294.00	-			-
Equipment	-	100,000.00	100,000.00	(g)					
Land	-	-			139,444.00	-			
Total buildings, land, and improvements	411,316.00	(203,436.00)	207,880.00		361,738.00	(240,646.60)	121,091.40	(c)	328,971.40
Additional value of building	-	-	-		385,530.00	(385,530.00)	-	(d)	-
Depreciation Adjustment	(203,194.00)	203,194.00	-						
Intangible Assets	1,427,239.00	(1,427,239.00)	-						
Total Invested Capital	1,144,168.00	(833,786.00)	310,382.00		903,188.00	(782,096.60)	121,091.40		431,473.40

Notes:
(a) Based on a schedule prepared by Michael Mattock of Walsh, Colucci, Lubeley, Emrich & Terpak, P.C. on 4/27/2005.
(b) Gross amounts due from customers in regular course of business. Accounts receivable from a regular course of business are not considered invested capital and instead are captured in the value of the business.
(c) Based on our analysis of the return on investment in the Real Estate Property
(d) Appreciation in the value of the Real Estate Property is not considered invested capital.
(e) Assumed loans were made to an unrelated party and as a result are not considered capital invested for the purpose of estimating return on investment.
(f) Deemed necessary tenants improvements based on Korpacz Real Estate Investor Survey, 1st Quarter 2005, Investment and Property Characteristics - Tenants Improvements (New) per SF ($29): Office Markets - Washington DC Metro Office (Northern Virginia) Office Market.
(g) Assuming $10,000 investment per full-time employee (estimated at about 10 employees based on Mr. Carlton 8/30/2001 deposition).

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City of Alexandria
Return on Investment Analysis - Ace Temporaries Inc. and ACC Holdings, LLC

Return on Investment in Ace

Return on Investment in Ace - Net Present Value Method:

Year	After-Tax Cash Flow (a)	Invested Capital (b)	Net		Accumulated Balance
4/1/1999	0	(310,382)	(310,382)		(310,382)
1999	134,328	0	134,328	(c)	(176,054)
2000	188,059	0	188,059		12,005
2001	197,462	0	197,462		209,467
2002	207,335	0	207,335		416,803
2003	217,702	0	217,702	(d)	634,505
2004	228,587	0	228,587		863,092
2005	80,005	0	80,005	(c)	943,097
Total	1,253,479	(310,382)	943,097		

NPV	312,343
Return on Investment (Internal Rate of Return)	52.74%
Payback Period (years)	1.94

Notes:

(a) Calculated based on the 2003 after-tax cash flow provided by Ace and adjusted for estimated annual growth of 5%.
(b) Assuming 100% of initial investment.
(c) Assuming partial years of operations: 9 months in 1999 and 4 months in 2005.
(d) Per letter from Michael Mattock of Walsh, Colucci, Lubeley, Emrich, & Terpak, P.C. on 4/27/2005. We assume that the $217,702 cash flow figure provided in the letter is for Ace's operations at 717 Pendleton Street only. Given the assertion in the letter that 70 percent of Ace's revenue is generated from the 717 Pendleton Street location, and given the uncertainty as to whether the cash flow figure provided was already 70 percent of total, we performed a separate analysis to determine the return on investment of 70 percent of the cash flow figure provided. The result was a 34.8 percent return on investment.

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City of Alexandria
Return on Investment Analysis - Ace Temporaries Inc. and ACC Holdings, LLC

Analysis of Investment Made in the Real Estate Property

Equity Investment in the Real Estate Property			
Amount paid in cash	10,000.00		
Principal amount of mortgage	340,000.00		
Total Purchase Price (4/1/1999)		350,000.00	(a)
Settlement Costs		8,470.00	(a)
Improvements			
Replacing flooring, ceiling, tiles, grid, fixtures, walls, painting, etc.		45,375.00	
Replacing air conditioning systems		24,180.00	
Replacing locks and installing alarm system		662.78	
Installing phone lines		1,487.72	
Insurance expense		771.00	
Roofing		19,000.00	
Telephone equipment		6,638.65	
Air cleaners and shelving		4,351.40	
Electrical		154.85	
Subtotal		102,621.40	
Total investment in the RE Property (at cost)		461,091.40	
Less: Estimated value of mortgage		340,000.00	(b)
Total equity invested in the Real Estate Property		**121,091.40**	

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Notes:
(a) Based on the 4/1/1999 settlement statement provided by ACC.
(b) Assuming interest only loan.

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Return on Investment in ACC

Estimated value of Equity in the Real Estate Property as of 5/1/2005		
Value of the RE property as of 6/7/2004	780,000.00	(a)
Time value adjustment	3.08%	(b)
Estimated value of the Real Estate Property as of 5/1/2005	**804,024.00**	
Less: Estimated value of mortgage	340,000.00	(c)
Estimated value of equity in the Real Estate Property as of 5/1/2005	**464,024.00**	

Return on Investment in ACC - Net Present Value Method:

Year	Cash Flow	Invested Capital	Real Estate Appreciation (Equity)		Net	Accumulated Balance
	(f)		(e)			
4/1/1999	0	(121,091)	0		(121,091)	(121,091)
1999	4,503	0	0	(d)	4,503	(116,588)
2000	6,304	0	68,587		74,891	(41,698)
2001	6,620	0	68,587		75,206	33,508
2002	6,950	0	68,587		75,537	109,045
2003	7,298	0	68,587		75,885	184,930
2004	7,663	0	68,587		76,249	261,179
2005	2,682	0	0	(d)	2,682	263,861
Total	42,020	(121,091)	342,933		263,861	

NPV	118,945
Return on Investment (Internal Rate of Return)	37.11%
Payback Period (years)	2.55

Notes:

(a) Based on the property's condition as described by an appraisal report of the property prepared by Evaluation and Review Associates, Inc. as of June 7, 2004.

(b) Based on Korpacz Real Estate Investor Survey, 1st Quarter 2005, Investment and Property Characteristics - Forecast Value Change next 2 Months: Office Markets - Washington DC Metro Office (Northern Virginia) Office Market.

(c) Assuming interest only loan.

(d) Assuming partial years of operations: 9 months in 1999 and 4 months in 2005.

(e) Calculated by subtracting total equity invested in the Real Estate Property from the estimated value of equity in the Real Estate Property as of 5/1/2005. We assumed a constant rate of growth in the value of the Real Estate during 2000-2004.

(f) Calculated based on the 2003 cash flow provided by ACC and adjusted for estimated annual growth of 5%.

City of Alexandria
Return on Investment Analysis - Ace Temporaries Inc. and ACC Holdings, LLC

RE Property - Development of Discount Rate - Build Up Approach

	100% Interest			
	RERC		**Korpacz**	
Expected Return	9.50%	(a)	9.57%	(b)
Adjustments specific to the RE Property Noninstitutional Grade	2.00%	(c)	2.00%	(c)
Adjusted Expected Return At the Real Estate Property Level	11.50%		11.57%	
Leveraged equity premium	1.50%	(d)	1.50%	(d)
Subtotal	13.00%		13.07%	
Conclusion - Expected Equity Return in the Real Estate Property	**13.00%**			

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Notes:
(a) Based on RERC Real Estate Report, 4th Quarter 2004, 1st Tier Pre-Tax Yield - Washington DC Suburban Office Market.
(b) Based on Korpacz Real Estate Investor Survey, 1st Quarter 2005, Pre-Tax IRR - Washington DC Metro Office (Northern Virginia) Office Market.

(c) Based on the property's condition as described by an appraisal report of the property prepared by Evaluation and Review Associates, Inc. as of June 7, 2004 and based on Korpacz Real Estate Investor Survey, 1st Quarter 2005, Pre-Tax IRR spread between institutional and non-institutional grade property rates - National Suburban Office.

(d) Based on Korpacz Real Estate Investor Survey, 3rd Quarter 2004, Leverage Premium on Equity Discount Rate - National Suburban Office Market.

City of Alexandria
Return on Investment Analysis - Ace Temporaries Inc. and ACC Holdings, LLC

Ace - Development of the Cost of Equity

Cost of Equity - Ibbotson Build Up	Discount Rate	
Risk-Free Rate	4.60%	(a)
Equity Risk Premium	7.20%	(b)
Equity Risk Premium Adjustment	-1.25%	(c)
Small Stock Premium	6.41%	(d)
Industry Risk Premium	2.20%	(e)
Specific Company Risk Premium	2.00%	(f)
Cost of Equity	21.16%	
Cost of Equity (rounded)	21.00%	

Notes:

(a) Measured by the average long-term yield on 20 year Treasury Bonds for April 29, 2005 as reported by the Federal Reserve Bank's H-15.
(b) Equity risk premium based on historical rates of return for large publicly traded equity securities reported in the 2005 Ibbotson Associates Stocks, Bonds, Bills and Inflation Yearbook.

(c) Adjustment to equity risk premium based on a study by Roger Ibbotson and Peng Chen published in Shannon Pratt's Business Valuation Update November 2003.
(d) Beta-adjusted size premium based on the historical return of small capitalization stocks (with market capitalization below $263 million) in excess of large capitalization stocks as reported in the 2005 Ibbotson Associates Stocks, Bonds, Bills and Inflation Yearbook.
(e) Historical industry risk premium based on companies in the employment agency industry (SIC Code #7361) as reported by the 2005 Ibbotson Associates Stocks, Bonds, Bills and Inflation Yearbook.
(f) Based on additional risk premium for a small closely-held company.

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ATTACHMENT 6

Michael A. Mattock
(703) 680-4664 Ext. 115
mmattock@pw.thelandlawyers.com

WALSH COLUCCI
LUBELEY EMRICH
& TERPAK PC

May 5, 2005

Via Facsimile and First Class Mail
Fred R. Wagner, Esq.
Beveridge & Diamond, P.C.
1350 I Street, NW, Suite 600
Washington, D.C. 20005

Re: Ace Temporaries, Inc., 717 Pendleton Street

Dear Fred:

Pursuant to our discussions, I am writing as a supplement to my letter to you dated April 27, 2005 regarding Ace Temporaries, Inc.'s ("Ace") and ACC Holdings, LLC's ("ACC") request for an extension of the 12 month period contained in § 12-215(B) of the City's Zoning Ordinance. I would appreciate it if you would include this letter, the attached statement and the attached revised "Exhibit A" (detailing Ace and ACC's investment in the business and premises), as part of the materials to be submitted to the Council for its consideration.

Please be aware that the narrative and opinions described therein are those of Mr. Charles Carlton, stockholder of Ace and member of ACC. Mr. Anthony Aiken, CPA, ABV, CVA, 3975 University Drive, Suite 440, Fairfax, VA 22030 was consulted regarding the opinions; however, the opinions contained in the statement are those of Mr. Carlton.

I appreciate your cooperation in this matter and please do not hesitate to contact me with questions or requests for additional information that the City might have.

Sincerely,

WALSH, COLUCCI, LUBELEY,
EMRICH & TERPAK, P.C.

Michael A. Mattock

RECEIVED
JUN 14 2005
PLANNING & ZONING

ame
Enclosure

cc: Ignacio Pessoa
Chuck Carlton
John H. Foote
M. Cathy Puskar
Anthony Aiken

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STATEMENT OF CHARLES CARLTON
City of Alexandria Zoning Ordinance § 12-215 Request for Extension
5-5-05

In order to determine the amount of time needed to earn a fair and reasonable return on Ace Temporaries' investment, we must first determine the value of the investment at that time, what portion of that investment will be lost when the business is discontinued, what a fair rate of return is based on the risk of the investment, how much cash flow is available for the purposes of amortization and finally how much time the business must continue operating to earn a fair and reasonable return on the investment that will be lost when the business is discontinued. When determining each of these items we erred on the side of being overly conservative as to make certain that the final determinations would be absolutely defensible.

The value of a business is based on its ability to generate cash flow in relation to the financial risk involved.

To determine the ability of Ace Temporaries to generate cash flow, we started by adjusting the net income for excessive owner salaries, owner life insurance and certain expensing and depreciation. We then took the adjusted net income from 1999 through 2003 and weighted it based on how recent it was – with 2003 being weighted five times more heavily than 1999. The adjustments and weighting yielded an annual cash flow of $404,254.

We then calculated a buildup rate that would correlate with the financial risk involved in Ace Temporaries' business. The buildup rate consisted of adding the yield rate of long-term Treasury bonds, a risk premium for common stock, a risk premium for being a small corporation and a risk premium for the specific industry. This summary rate was then adjusted to reflect a pretax stream and finally adjusted for growth. This final calculated rate is the capitalization rate. In the case of Ace Temporaries, we computed the capitalization rate to be 17.07%

To calculate the value of Ace Temporaries, its ability to generate cash flow is divided by the capitalization rate. This yielded a value of $2,368,213. Be aware that this is an excessively conservative figure. The value of Ace Temporaries is dramatically higher than that.

Next, we determined what portion of the investment will be lost when the business is discontinued. In the case of Ace Temporaries, there were two major factors that we considered – the value of the intangible assets and the value of the receivables.

To determine the value of the intangible assets, we simply considered what portion of the value of the business is not attributable to the hard assets. Based on an overall value of $2,368,213 and hard assets of $940,974, the value of the intangible assets is $1,427,239. The entire amount of intangible assets is lost when the business is discontinued.

The receivables are also substantially devalued when the business is discontinued. We devalued the receivables on the books at the time by 30% which amounted to a $189,105 loss in value.

The loss of the intangible assets and the loss in value of the receivables when the business is discontinued will result in $1,616,344 of the $2,368,213 investment being lost.

To determine a fair rate of return on an investment, we considered the financial risk of the investment. One should expect a higher rate of return from a high risk investment than from a low risk investment. Ideally, we should expect the same rate of return as the capitalization rate. In Ace Temporaries' case, this would be 17.07%. But, we will also look at the effects of using the generic rate for a small business in the same industry (15.78%), the generic rate for a small corporation (15.06%) and the generic rate for a large corporation (11.05%).

We also determined how much cash flow is available for amortization purposes. We took Ace Temporaries' cash flow of $404,254 and made adjustments for taxes and maintenance of the other assets to arrive at a maximum available cash flow of $217,702. Be aware that this is the maximum available and it may not be reasonable for a business to use 100% of its available cash flow to amortize itself out of business. But by using the maximum amount we avoid arguing over what portion should be used.

Finally, we determine how long it would take to amortize the amount of investment that will be lost at the above rates using the maximum available cash flow. The amount of investment that will be lost can not be amortized using the maximum available cash flow at rates of 17.07%, 15.78% and 15.06%. In fact, it can not be amortized at any rate exceeding 13.46%. This leaves us the 11.05% rate. At this rate it takes a period of 17 years to amortize the amount of the lost investment (an understated amount) using available cash flow (an overstated amount).

An important point regarding the amortization rate is that the 11.05% rate represents a fair rate of return for large cap blue chip stocks – those with market capitalization in excess of around $5 billion. Large cap businesses are generally a much lower risk investments than a company the size of Ace Temporaries. Going below this rate would in no way accurately reflect the risk in the investment and what should be considered a reasonable rate of return (even this rate doesn't).

J:\35\3555\2004\Ace valuation and amortization notes- final.doc

EXHIBIT A
revised 5-5-05

ACE Temporaries, Inc.
Calculation of Amount Invested

As of December 31, 2003 the combined investment in the business and premises is determined as follows:

	ACE Temporaries, Inc.	ACC Holdings, LLC	Combined Investment
Cash and Cash equivalents invested and available for continuing operations	86,498	13,043	99,541
Accounts receivable (gross amounts due from customers in the regular course of business)	630,350		630,350
Short-term loans receivable		142,877	142,877
Investments in furniture, equipment buildings and improvements at *at original cost*	411,316	222,294	633,610
Other current assets	16,004		16,004
Land		139,444	139,444
Additional value of building		385,530	385,530
Depreciation adjustment	-203,194		-203,194
Intangible Assets	1,427,239		1,427,239
Total investments at December 31, 2003	2,368,213	903,188	3,271,401

Reznick Group

Reznick Group, P.C.
7700 Old Georgetown Road
Suite 400
Bethesda, MD 20814-6224

Tel: (301) 652-9100
Fax: (301) 652-1848
www.reznickgroup.com

ATTACHMENT 7.

June 10, 2005

Ignacio Pessoa, Esq.
City Attorney
City of Alexandria
301 King Street
Alexandria, VA 22314

Subject: Ace Temporaries, Inc. and ACC Holdings, LLC.

Dear Mr. Pessoa:

Pursuant to your request, we have performed an analysis related to Ace Temporaries, Inc. ("Ace") and ACC Holdings, LLC. ("ACC") in order to assist the City of Alexandria (the "City") in evaluating:

- A fair and reasonable rate of return from an investment in similar businesses;
- The rate of return on investments made in Ace and ACC prior to October 7, 2003.

Our analysis included the following procedures:

- We analyzed the following documents:
  - Letters dated April 27, 2005 and May 5, 2005 (the "Letters") from Ace's attorney, Michael A. Mattock of Walsh, Colucci, Lubeley, Emrich & Terpak, P.C., to Mr. Fred R. Wagner, Esq.;
  - A real estate settlement statement dated 4/1/1999 of ACC Holdings, LLC's ("ACC") purchase of the commercial real estate located at 717 Pendleton Street in Alexandria, Virginia (the "Real Estate Property");
  - An appraisal of the Real Estate Property prepared by Evaluation and Review Associates, Inc. as of June 7, 2004;

- We analyzed certain calculations of investments in Ace and ACC as reflected in Exhibit A of the Letters;

- We adjusted Ace and ACC's invested capital to reflect reasonable investments;

- We developed the appropriate rate of return required for an investment in Ace and ACC;

- We calculated the actual rate of returns over the Return on Investment Period for Ace and ACC;

- We performed a site visit and toured the business location of Ace.

In performing our analysis, we relied upon information provided to us without independent verification. We did not audit or review this information and, accordingly, we do not express any form of assurance on this information. Additionally, the information provided to us was not a sufficient amount of historical data from which to complete an analysis. Accordingly, we were forced to make certain assumptions in completing our analysis and these assumptions are detailed in this report as footnotes to Exhibit I.

The following summarizes our findings:

<u>Ace Temporaries, Inc.</u>

Ace is a day labor agency, which is defined as a place where assignments for employment are made characterized by the daily gathering of workers. A day labor agency operates a dispatch to which at least some workers physically report, apply and wait for work daily, and return to receive their paychecks daily. Day labor is labor that is occasional or irregular at which the person is assigned for not longer than the time period required to complete the work assignment. The majority of day labor workers are not assigned clerical or professional employment.

Ace has been in business since February 27, 1991 it has operated from various business locations. In 1999, Ace entered into a lease agreement with ACC, a related party, and relocated its operations to 717 Pendleton Street. Ace generated a weighted average from 1999 to 2003 after tax cash flow from 1999 to 2003 in the amount of $217,702 per year. The stockholders of Ace Temporaries, Inc. are Mr. Charles Carlton and Mr. Adam Schram.

Reznick
Group

We estimated Ace's return on investment by estimating Ace's after tax cash flows during the Return on Investment Period and comparing it to our analysis of investments made in Ace. The followings are our results (See Tab 2, page 3).

IRR	52.74%
Payback Period (years)	1.94

Our analysis of the return on investment made in ACC does not include any appreciation in the value of the business. Mr. Carlton is of the opinion that the value of Ace is $2.4 million, of which $1.4 million is intangible asset value. These intangible assets consist principally of customer relationships, a trade name, and to a lesser extent relationships with temporary workers and goodwill. In our opinion, all of these intangibles could be transferred to a new location without a significant loss in value.

ACC Holdings, LLC

Formerly known as ACH, LLC, ACC is the owner of the Real Estate Property. ACC purchased the Real Estate Property on April 1, 1999 and rents the entire property to Ace. The members of ACC are Mr. Charles Carlton and Mr. Adam Schram. In 2003, ACC generated net income in the amount of $7,298 on a cash basis.

In contrast to Ace, which is an operating business, ACC is a real estate holding company. Real estate assets are substantially less risky than operating businesses and, accordingly, investors require a lower rate of return. Investors in real estate expect to get part of their required return from market appreciation. Additionally, the value of real estate is not specific to a particular tenant, and the value of the Real Estate Property is not dependent upon Ace as a tenant. Accordingly, we have included the significant appreciation in the Real Estate Property in determining that the return on investment made in ACC.

To determine the return on investment made in ACC during the Return on Investment Period, we first estimated the investment made in ACC in the amount of $121,091, net of the mortgage. We then estimated the value of the Real Estate Property as of May 1, 2005 in the amount of $804,024 by adjusting the appraised value as of June 7, 2004 for the appreciation expected in the local real estate market. We then estimated the value of equity in ACC in the amount of $464,024 by subtracting the estimated mortgage balance from the value of the Real Estate Property. Our computation of the return on investment was based on the cash flow from the property and the appreciation in value. The following is our estimated return on investment made during the Return on Investment Period (See Tab 2, page 4).

Return on Investment	37.11%
Payback Period (years)	2.55

Reznick Group

Fair and Reasonable Rate of Return

We computed a fair and reasonable rate of return for Ace and ACC using observable market rates of return for comparable investments. We adjusted the returns as necessary to reflect the risk inherent in these investments.

- We estimate the appropriate equity rate of return for an investment in a business similar to Ace's business in the amount of 21.0 percent (See Tab 2, page 7);

- We estimate the appropriate equity rate of return for an investment in a real estate property similar to ACC's property in the amount of 13.0 percent (See Tab 2, page 6).

Conclusion

It is our opinion that the owners of Ace and ACC have received an actual rate of return that is significantly higher than a fair and reasonable rate of return on their investment made prior to October 7, 2003.

The following summarizes this analysis:

	ACE	ACC
Actual Return on Investment	53%	37%
Fair and Reasonable Return	21%	13%

We reserve the right to modify our analysis should additional information come to our attention. If you have any questions regarding these matters, or need additional assistance in analyzing your strategies, please call us.

Very truly yours,

REZNICK GROUP, P.C.

Brent S. Solomon MSF, CPA, CVA, CM&A

Tab 1

City of Alexandria

Return on Investment Analysis - Ace Temporaries Inc. ("Ace") and ACC Holdings, LLC ("ACC" or "Real Estate Property")

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Reznick Group, P.C.
Valuation and Transaction Advisory Group

City of Alexandria
Return on Investment Analysis - Ace Temporaries Inc. and ACC Holdings, LLC

Analysis of Investment Made

	Ace Temporaries, Inc. As of 12/31/2003			(a)	ACC Holding, LLC As of 12/31/2003			(a)	Total 12/31/2003
	Invested Capital (per Ace)	Adjustments	Invested Capital (adjusted)		Invested Capital (per ACC)	Adjustments	Invested Capital (adjusted)		Adjusted Invested Capital
Cash and cash equivalents invested	86,498.00	-	86,498.00		13,043.00	(13,043.00)	-	(c)	86,498.00
Accounts Receivable	630,350.00	(630,350.00)	-	(b)	-	-	-		-
Short-term loans receivables	-	-	-		142,877.00	(142,877.00)	-	(e)	-
Other current assets	16,004.00	-	16,004.00		-	-	-		16,004.00
Buildings and improvements	411,316.00	(303,436.00)	107,880.00	(f)	222,294.00	-			-
Equipment	-	100,000.00	100,000.00	(g)					
Land	-	-			139,444.00	-			
Total buildings, land, and improvements	411,316.00	(203,436.00)	207,880.00		361,738.00	(240,646.60)	121,091.40	(c)	328,971.40
Additional value of building	-	-	-		385,530.00	(385,530.00)	-	(d)	-
Depreciation Adjustment	(203,194.00)	203,194.00	-						
Intangible Assets	1,427,239.00	(1,427,239.00)	-						
Total Invested Capital	1,144,168.00	(833,786.00)	310,382.00		903,188.00	(782,096.60)	121,091.40		431,473.40

Notes:
(a) Based on a schedule prepared by Michael Mattock of Walsh, Colucci, Lubeley, Emrich & Terpak, P.C. on 4/27/2005.
(b) Gross amounts due from customers in regular course of business. Accounts receivable from a regular course of business are not considered invested capital and instead are captured in the value of the business.
(c) Based on our analysis of the return on investment in the Real Estate Property
(d) Appreciation in the value of the Real Estate Property is not considered invested capital.
(e) Assumed loans were made to an unrelated party and as a result are not considered capital invested for the purpose of estimating return on investment.
(f) Deemed necessary tenants improvements based on Korpacz Real Estate Investor Survey, 1st Quarter 2005, Investment and Property Characteristics - Tenants Improvements (New) per SF ($29): Office Markets - Washington DC Metro Office (Northern Virginia) Office Market.
(g) Assuming $10,000 investment per full-time employee (estimated at about 10 employees based on Mr. Carlton 8/30/2001 deposition).

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Return on Investment in Ace

Return on Investment in Ace - Net Present Value Method:

Year	After-Tax Cash Flow	Invested Capital	Net		Accumulated Balance
	(a)	(b)			
4/1/1999	0	(310,382)	(310,382)		(310,382)
1999	134,328	0	134,328	(c)	(176,054)
2000	188,059	0	188,059		12,005
2001	197,462	0	197,462		209,467
2002	207,335	0	207,335		416,803
2003	217,702	0	217,702	(d)	634,505
2004	228,587	0	228,587		863,092
2005	80,005	0	80,005	(c)	943,097
Total	1,253,479	(310,382)	943,097		

NPV	312,343
Return on Investment (Internal Rate of Return)	52.74%
Payback Period (years)	1.94

Notes:
(a) Calculated based on the 2003 after-tax cash flow provided by Ace and adjusted for estimated annual growth of 5%.
(b) Assuming 100% of initial investment.
(c) Assuming partial years of operations: 9 months in 1999 and 4 months in 2005.
(d) Per letter from Michael Mattock of Walsh, Colucci, Lubeley, Emrich, & Terpak, P.C. on 4/27/2005. We assume that the $217,702 cash flow figure provided in the letter is for Ace's operations at 717 Pendleton Street only. Given the assertion in the letter that 70 percent of Ace's revenue is generated from the 717 Pendleton Street location, and given the uncertainty as to whether the cash flow figure provided was already 70 percent of total, we performed a separate analysis to determine the return on investment of 70 percent of the cash flow figure provided. The result was a 34.8 percent return on investment.

City of Alexandria
Return on Investment Analysis - Ace Temporaries Inc. and ACC Holdings, LLC

Analysis of Investment Made in the Real Estate Property

Equity Investment in the Real Estate Property			
Amount paid in cash	10,000.00		
Principal amount of mortgage	340,000.00		
Total Purchase Price (4/1/1999)		350,000.00	(a)
Settlement Costs		8,470.00	(a)
Improvements			
Replacing flooring, ceiling, tiles, grid, fixtures, walls, painting, etc.		45,375.00	
Replacing air conditioning systems		24,180.00	
Replacing locks and installing alarm system		662.78	
Installing phone lines		1,487.72	
Insurance expense		771.00	
Roofing		19,000.00	
Telephone equipment		6,638.65	
Air cleaners and shelving		4,351.40	
Electrical		154.85	
Subtotal		102,621.40	
Total investment in the RE Property (at cost)		461,091.40	
Less: Estimated value of mortgage		340,000.00	(b)
Total equity invested in the Real Estate Property		**121,091.40**	

Notes:
(a) Based on the 4/1/1999 settlement statement provided by ACC.
(b) Assuming interest only loan.

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Return on Investment in ACC

Estimated value of Equity in the Real Estate Property as of 5/1/2005		
Value of the RE property as of 6/7/2004	780,000.00	(a)
Time value adjustment	3.08%	(b)
Estimated value of the Real Estate Property as of 5/1/2005	**804,024.00**	
Less: Estimated value of mortgage	340,000.00	(c)
Estimated value of equity in the Real Estate Property as of 5/1/2005	**464,024.00**	

Return on Investment in ACC - Net Present Value Method:

Year	Cash Flow	Invested Capital	Real Estate Appreciation (Equity)		Net	Accumulated Balance
	(f)		(e)			
4/1/1999	0	(121,091)	0		(121,091)	(121,091)
1999	4,503	0	0	(d)	4,503	(116,588)
2000	6,304	0	68,587		74,891	(41,698)
2001	6,620	0	68,587		75,206	33,508
2002	6,950	0	68,587		75,537	109,045
2003	7,298	0	68,587		75,885	184,930
2004	7,663	0	68,587		76,249	261,179
2005	2,682	0	0	(d)	2,682	263,861
Total	42,020	(121,091)	342,933		263,861	

NPV	118,945
Return on Investment (Internal Rate of Return)	37.11%
Payback Period (years)	2.55

Notes:

(a) Based on the property's condition as described by an appraisal report of the property prepared by Evaluation and Review Associates, Inc. as of June 7, 2004.
(b) Based on Korpacz Real Estate Investor Survey, 1st Quarter 2005, Investment and Property Characteristics - Forecast Value Change next 2 Months: Office Markets - Washington DC Metro Office (Northern Virginia) Office Market.
(c) Assuming interest only loan.
(d) Assuming partial years of operations: 9 months in 1999 and 4 months in 2005.
(e) Calculated by subtracting total equity invested in the Real Estate Property from the estimated value of equity in the Real Estate Property as of 5/1/2005. We assumed a constant rate of growth in the value of the Real Estate during 2000-2004.
(f) Calculated based on the 2003 cash flow provided by ACC and adjusted for estimated annual growth of 5%.

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City of Alexandria
Return on Investment Analysis - Ace Temporaries Inc. and ACC Holdings, LLC

RE Property - Development of Discount Rate - Build Up Approach

	100% Interest			
	RERC		Korpacz	
Expected Return	9.50%	(a)	9.57%	(b)
Adjustments specific to the RE Property Noninstitutional Grade	2.00%	(c)	2.00%	(c)
Adjusted Expected Return At the Real Estate Property Level	11.50%		11.57%	
Leveraged equity premium	1.50%	(d)	1.50%	(d)
Subtotal	13.00%		13.07%	
Conclusion - Expected Equity Return in the Real Estate Property	**13.00%**			

Notes:
(a) Based on RERC Real Estate Report, 4th Quarter 2004, 1st Tier Pre-Tax Yield - Washington DC Suburban Office Market.
(b) Based on Korpacz Real Estate Investor Survey, 1st Quarter 2005, Pre-Tax IRR - Washington DC Metro Office (Northern Virginia) Office Market.

(c) Based on the property's condition as described by an appraisal report of the property prepared by Evaluation and Review Associates, Inc. as of June 7, 2004 and based on Korpacz Real Estate Investor Survey, 1st Quarter 2005, Pre-Tax IRR spread between institutional and non-institutional grade property rates - National Suburban Office.

(d) Based on Korpacz Real Estate Investor Survey, 3rd Quarter 2004, Leverage Premium on Equity Discount Rate - National Suburban Office Market.

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Ace - Development of the Cost of Equity

Cost of Equity - Ibbotson Build Up	Discount Rate	
Risk-Free Rate	4.60%	(a)
Equity Risk Premium	7.20%	(b)
Equity Risk Premium Adjustment	-1.25%	(c)
Small Stock Premium	6.41%	(d)
Industry Risk Premium	2.20%	(e)
Specific Company Risk Premium	2.00%	(f)
Cost of Equity	21.16%	
Cost of Equity (rounded)	21.00%	

Notes:

(a) Measured by the average long-term yield on 20 year Treasury Bonds for April 29, 2005 as reported by the Federal Reserve Bank's H-15.
(b) Equity risk premium based on historical rates of return for large publicly traded equity securities reported in the 2005 Ibbotson Associates Stocks, Bonds, Bills and Inflation Yearbook.

(c) Adjustment to equity risk premium based on a study by Roger Ibbotson and Peng Chen published in Shannon Pratt's Business Valuation Update November 2003.
(d) Beta-adjusted size premium based on the historical return of small capitalization stocks (with market capitalization below $263 million) in excess of large capitalization stocks as reported in the 2005 Ibbotson Associates Stocks, Bonds, Bills and Inflation Yearbook.
(e) Historical industry risk premium based on companies in the employment agency industry (SIC Code #7361) as reported by the 2005 Ibbotson Associates Stocks, Bonds, Bills and Inflation Yearbook.
(f) Based on additional risk premium for a small closely-held company.

FINDINGS OF FACT AND CONCLUSIONS
CASE BZA #2005-0019
717 PENDLETON STREET
ACE TEMPORARIES, INC. AND ACH, LLC

1. The Director determined that the property use at 717 Pendleton Street by Ace Temporaries, Inc. and ACH, LLC (collectively "Ace") was a "day labor agency" under Section 2-133.1 of the City's Zoning Ordinance.

2. Specifically, the Director considered Ace's operations and determined, in part, that a significant number of people "gather" at Ace's operations in the very early morning and late afternoon hours. The Director also found that, although Ace employs its laborers, Ace makes assignments for employment; many of Ace's workers physically report, apply and wait for work on a daily basis; Ace's assignments often are occasional or irregular; and Ace's workers are not assigned clerical, administrative or professional work. Testimony provided by the owner of Ace, Mr. Chuck Carlton, substantiated these findings and how Ace's operations reflect the characteristics set forth in Section 2-133.1.

3. The Director's determination that Ace meets the definition of "day labor agency" in the zoning ordinance is not unreasonable. The ordinance provides examples of "day labor agency" operations but makes clear that they are general examples, *i.e.*, it includes descriptors of such as "*characterized* by the gathering of workers," "at least *some* of the workers," and "*majority* of the day laborers." While these are general examples, Section 2-133.1 itself is not vague, and thus provides sufficient notice of its applicability to Ace's operations.

4. Citizens who live in the surrounding residential neighborhood testified that Ace's employees gather for work assignments from Monday through Saturday. They provided testimony that reasonably demonstrated Ace's operations have remained consistent for many years and continue to create significant negative impacts as a result of the laborers' gathering in the neighborhood. The negative impacts include an ongoing litter problem, loitering and vagrancy, crime and vandalism, excessive noise in pre-dawn hours, verbal harassment, public urination and other inappropriate behavior. Overall, Ace's operations are disruptive to adjoining residential uses.

5. The Director has the prerogative to apply the Zoning Ordinance provided that the determination is reasonable and in keeping with the intent of the ordinance. The underlying intent of Section 2-133.1 of the Zoning Ordinance is to reduce the negative impacts associated with the type of operation Ace runs at 717 Pendleton Street.

6. Under the Zoning Ordinance, the operations of a "day labor agency" are distinct from a temporary employment agency. Unlike a "day labor agency," a temporary employment agency does not require its employees to visit the office every day, and assignments are generally provided by telephone and paychecks are mailed to employees. Moreover, Ace's laborers are not engaged in work commensurate with that performed by the types of professionals listed in Section 2-126 of the Zoning Ordinance or that is ordinarily considered professional work.

Approved by the Board of Zoning Appeals on June 9, 2005.

Anthony Aiken

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6-21-05

ACE TEMPORARIES, INC.

June 21,2005

- **Exhibit A**: Assets are real even if they are intangible. Intangible assets *cannot* be adjusted away as if they didn't exist.

- **Exhibit B**: Two (2) items determine the value of Ace Temporaries –
    - The capitalization rate and
    - The cash flow

- **Exhibit C**: The value of Ace Temporaries can be assigned to two (2) types of assets –
    - Tangible assets and
    - Intangible assets

  The closing of Ace Temporaries would result in a significant loss, estimated to be $1.6 million.

- **Exhibit D**: At a rate of return of 11.05%, it would take approximately 17 years to recoup this loss if cash flow remains the same.

The city expert hired to value Ace Temporaries and ACC Holdings used the company's net cash flow and a comparable discount rate (to arrive at the capitalization rate) used by Mr. Carlton – the two (2) crucial variables that determine value.

Ordinance No. 4337 ¶ (D) states that the petitioner must have "*the opportunity to realize a fair and reasonable return on the investment in the nonconforming day labor agency made by petitioner prior to October 7, 2003…*" It does not say the return on the *Initial Investment* - the figure estimated (not the actual) by the city expert to calculate the rate of return. The real investment in Ace Temporaries is $2,368,213 and the estimated loss is $1,616,344.

EXHIBIT A

ACE Temporaries, Inc.
Calculation of Amount Invested

As of December 31, 2003 the combined investment in the business and premises is determined as follows:

	ACE Temporaries, Inc.	ACC Holdings, LLC	Combined Investment
Cash and Cash equivalents invested and available for continuing operations	86,498 [1]	13,043 [7]	99,541
Accounts receivable (gross amounts due from customers in the regular course of business)	630,350 [2]		630,350
Short-term loans receivable		142,877 [8]	142,877
Investments in furniture, equipment buildings and improvements at *at original cost*	411,316 [3]	222,294 [9]	633,610
Other current assets	16,004 [4]		16,004
Land		139,444 [10]	139,444
Additional value of building		385,530 [11]	385,530
Depreciation adjustment	(203,194) [5]		(203,194)
Intangible Assets	1,427,239 [6]		1,427,239
Total investments at December 31, 2003	2,368,213	903,188	3,271,401

Source of Data

1

1.•Ace 2003 Schedule L, Line 1, Column d
2.•Accounts Receivable Reconciliation
3.•Ace 2003 Schedule L, Line 10a, Column c
4.•Ace 2003 Schedule L, Line 6, Column d
5.•Ace 2003 Schedule L, Line 10b, Column c
6.•ACC Holdings 2003 Schedule L, Line 1, Column d
7.•ACC Holdings 2003 Schedule L, Line 6, Column d
8.•ACC Holdings 2003 Schedule L, Line 9a, Column c plus Line 12b, Column d
9.•ACC Holdings 2003 Schedule L, Line 11, Column d
10.•City of Alexandria Assessment minus
ACC Holdings 2003 Schedule L, Line 11, Column d and Line 9a, Column c

EXHIBIT B

ACE Temporaries, Inc
Calculation of Amount Invested

Capitalization Rate

Long Term Bond Rate	5.10%
Common Stock Risk Premium	7.20%
Micro-Cap Risk Premium	4.01%
Industry Risk Premium	-1.03%
Adjustment to Convert to Pre Tax Stream	4.79%
Net Discount Rate	20.07%
Less: Growth Rate	3.00%
Capitalization Rate	17.07%

Calculation of Amount Invested

Adjusted Weighted Cash Flow	$ 404,254
Capitalization Rate	17.07%
Calculated Value	$ 2,368,213

Exhibit C

ACE Temporaries, Inc
Calculation of Amount Invested

Computation of Intangible Value

Calculated Value		$ 2,368,213
Less Identifiable Tangible Assets		
Cash & Cash Equivalents		86,498
Accounts Receivable		630,350
Property & Equipment	$ 411,316	
Accumulated Depreciation	(203,194)	
Net property & Equipment		208,122
Other Current Assets		16,004
		940,974
Intangible Value		$ 1,427,239

Loss from Discontinued Business Operations

30% of Accounts Receivable	$ 189,105
Intangible Value	1,427,239
Loss	**$ 1,616,344**

Exhibit D

ACE Temporaries, Inc
Amortization of Loss

Compound Period: Annual

Nominal Annual Rate: 11.050%

CASH FLOW DATA

Date	Amount	Number	Period	End Date
6/16/2005	1,616,344	1		
6/16/2006	217,702	16	Annual	6/16/2021
6/16/2022	86,084	1		

AMORTIZATION SCHEDULE - Normal Amortization

Annual Totals	Date	Payment	Interest	Principal	Balance
2005 Totals	6/16/2005				1,616,344
2006 Totals	6/16/2006	217,702	178,606	39,096	1,577,248
2007 Totals	6/16/2007	217,702	174,286	43,416	1,533,832
2008 Totals	6/16/2008	217,702	169,488	48,214	1,485,618
2009 Totals	6/16/2009	217,702	164,161	53,541	1,432,077
2010 Totals	6/16/2010	217,702	158,245	59,457	1,372,620
2011 Totals	6/16/2011	217,702	151,674	66,028	1,306,592
2012 Totals	6/16/2012	217,702	144,378	73,324	1,233,269
2013 Totals	6/16/2013	217,702	136,276	81,426	1,151,843
2014 Totals	6/16/2014	217,702	127,279	90,423	1,061,419
2015 Totals	6/16/2015	217,702	117,287	100,415	961,004
2016 Totals	6/16/2016	217,702	106,191	111,511	849,493
2017 Totals	6/16/2017	217,702	93,869	123,833	725,660
2018 Totals	6/16/2018	217,702	80,185	137,517	588,144
2019 Totals	6/16/2019	217,702	64,990	152,712	435,432
2020 Totals	6/16/2020	217,702	48,115	169,587	265,845
2021 Totals	6/16/2021	217,702	29,376	188,326	77,519
2022 Totals	6/16/2022	86,084	8,566	77,519	0
Grand Totals		**$ 3,569,316**	**$ 1,952,972**	**$ 1,616,344**	

Aiken & Company, PC

Certified Public Accountants

Curriculum Vitae

Anthony M. Aiken, CPA, ABV, CVA, MS-Taxation

Position

Managing Director, Aiken & Company, PC, CPA's

Education

- M.S., Taxation, Southeastern University, 1977
- B.S., Business Administration with Distinction, George Mason University, 1973

Professional Organizations

- Licensed Certified Public Accountant, Commonwealth of Virginia (1976 - Present)
- Accredited Business Valuation designation, American Institute of Certified Public Accountants (2000 – Present)
- Certified Valuation Analyst -National Association of Certified Valuation Analysts (2000 – Present)
- Member, The Institute of Business Appraisers.
- Certificate of Educational Achievement in Business Valuation awarded by American Institute of Certified Public Accountants (1997)
- Member, American Institute of Certified Public Accountants (1976 - Present)
- Member, Virginia Society of Certified Public Accountants (1976 - Present)

Professional and Business History

***Aiken & Company, PC** (formerly*
***Aiken, Carroll & Company, PC**)*
Managing Director 1986-Present

3975 University Drive, Suite 440 • Fairfax, Virginia 22030 • (703) 591-1040 • (888) 591-1040 • Fax (703) 591-1099
www.aikencopc.com / e-mail: acc1@aikencopc.com

Rasnake, Aiken & Company, PC
Principal 1979-1986

A.M. Aiken, CPA
Sole Practitioner 1977-1979

Swart, Owens, & Lalande, PC
Principal 1976-1977
Senior Accountant 1975-1976
Staff Accountant 1973-1975

Other Positions

Prosperity Bank & Trust Company
Member - Board of Directors 2000-Present
Chairman – Audit Committee 2002-Present

Cases in which testimony or deposition given

- Valuation of 50% equity interest in an automotive repair business, an excavation company, a commercial real estate leasing company and expert opinion testimony. Jewell vs. Jewell, LoudounCounty Circuit Court, May 2005.
- Valuation of 33.3% minority interest in two commercial real estate leasing companies and expert opinion testimony. Whealen vs. Whealen, Fairfax County Circuit Court, April 2004.
- Expert opinion on corporate operations and income taxation. Lewis v. Lewis, Prince William County Circuit Court, January 2004.
- Valuation of 100% control interest in a software development and training company and expert opinion testimony. Scicli v. Scicli, Fairfax County Circuit Court, July 2003.
- Lost Profits damage pre and post trial calculations and expert opinion, Systems Integrations & Research, Inc. vs. Jennifer Fontaine, et al., January 2003.
- Analysis of residential construction costs and expert opinion on incorrectness of claimed costs. Good Star Construction Company., Inc. vs. Gerard Rene Adam, II and Mary Adam, Fairfax County Circuit Court, June 2002.

- Computation of spousal support arrearages, change in Consumer Price Index, interest due on arrearages and providing expert opinion as to amounts due and the related income tax effects of such payments Cheiko Viglucci vs. Peter A. Viglucci, Fairfax County Circuit Court, June 2001.

- Review and analysis of consolidated financial statements, income tax returns and tax motivated transaction and providing expert opinion as to generally accepted accounting principles and the formation and capitalization of a limited liability partnership, James D. Walker vs. Donna A. Walker, Fairfax County Circuit Court, June, 2001.

- Wrongful termination damage calculations and expert opinion, Kenneth W. Brant vs. SCI Virginia Funeral Services, Inc., American Arbitration Association, May 2001

- Valuation of 100% control interest in a prosthetic-orthotic laboratory and expert opinion testimony. Banks v. Banks, Fairfax County Circuit Court, January 2000.

- Trace source and use of funds and expert opinion testimony, Ryan vs. Ryan, Fairfax County Circuit Court, July 1998.

- Asset tracing and expert opinion testimony, Barnes v. Barnes, Fairfax County Circuit Court, June 1998.

- Dissipation of marital assets, income reconstruction and expert opinion testimony, Howard v. Howard, Fairfax County Circuit Court February 1998

- Probate accounting, estate tax computations and expert opinion testimony, Santullo v. Estate of Santullo, Alexandria Circuit Court, 1994

- Analysis of construction costs, overhead allocation and expert opinion testimony, American Arbitration Association, 1994.

- Trace source and application of marital funds and expert opinion testimony, Kennett vs. Kennett, Fairfax County Circuit Court, 1992.

Other Litigation Support Services

Divorce Litigation

- Analyzed and explain income tax attributes of transactions.
- Traced contributions to marital and separate property.
- Develop summaries to prove contributions to marital property

- Extensive income tax projections, consulting and advice on tax implications of proposed settlements.
- Reconstructed cash account balances, searched for hidden assets.

Other Litigation
- Lost profits damage calculations.
- Wrongful termination damage calculations.
- Charitable and Marital distribution calculations on Augmented Estate.

Business Valuations and Assessments

- Automotive repair business – for marital property division.
- Cable installation contractor – for marital property division.
- Carpentry contractor - for estate tax valuation.
- Coal producer mineral royalty interest – for divorce property settlement.
- Commercial real estate leasing companies– for marital property division.
- Communications Company - to determine purchase price of business.
- Computer sales and service company - for selling business.
- Corrugated metal products wholesaler – for selling business.
- CPA Practice - for marital property division.
- Excavation contractor – for estate tax valuation.
- Excavation contractor – for marital property division.
- Glass contractor - for gift tax valuation.
- Government contractor – review and critique of valuation prepared by other expert to determine reasonableness for initial ESOP stock purchase.
- Kitchen cabinet subcontractor – for shareholder litigation.
- Law firm – for marital property division.
- Medical equipment manufacturer – for marital property division.
- Medical practice - for marital property division.
- Nationally franchised restaurant – for buy sell purposes.
- Paint and coatings manufacturer – for divorce property settlement.
- Power supply manufacturer – for marital property division.
- Siding installation contractor – for marital property division.
- Software development and training company– for marital property division.
- Trailer park management company – for federal estate tax purposes.
- Utility contractor – Review and critique of valuation prepared by other expert to determine inter-family transfer value.
- Valuation of partnership interests in various tax shelters, investments and real estate holdings.
- Wholesale lumber distributor – for federal estate tax purposes.

24
6-21-05

<mschlee@legion.org>

06/22/2005 08:34 AM

Please respond to <mschlee@legion.org>

To: <alexvamayor@aol.com>, <delpepper@aol.com>, <council@joycewoodson.net>, <councilmangaines@aol.com>, <council@krupicka.com>, <macdonaldcouncil@msn.com>,

cc

bcc

Subject: City of Alexandria Website Contact Us - EMail for Mayor, Vice-Mayor and Council Members (alexvamayor@aol.com, delpepper@aol.com, council@joycewoodson.net, councilmangaines@aol.com, council@krupicka.com, macdonaldcouncil@msn.com, paulcsmedberg@aol.com, rose.boyd@alexandriava.gov, jackie.henderson@alexandriava.gov, tom.raycroft@alexandriava.gov)

City of Alexandria Website Contact Us - EMail for Mayor, Vice-Mayor and Council Members (alexvamayor@aol.com, delpepper@aol.com, council@joycewoodson.net, councilmangaines@aol.com, council@krupicka.com, macdonaldcouncil@msn.com, paulcsmedberg@aol.com, rose.boyd@alexandriava.gov, jackie.henderson@alexandriava.gov, tom.raycroft@alexandriava.gov)

Time: [Wed Jun 22, 2005 08:34:52] IP Address: [206.104.246.2]

Response requested: []

First Name:	G. Michael
Last Name:	Schlee
Street Address:	712 Pendleton Street
City:	Alexandria
State:	VA
Zip:	22314
Phone:	(703)836-3866
Email Address:	mschlee@legion.org
Comments:	Thanks for your support last night in denying an extension to Ace Labor on Pendleton Street. The neighbors have endured a lot and share your obvious frustration. I am definitely not antibusiness but the neighborhood has to be appropriate - this is just the wrong location. Again, thanks for your support.

At the last hearing on this matter, the BZA hearing last month, the comment was made that this process had become like the movie "Groundhog Day". It has been the same people saying the same things over and over and over again. Overwhelmingly, it has been people conveying their complaints about incidents that have occurred in the neighborhood, some of which were acts done by individuals who are employed by me. And everyone, including myself, has taken these complaints seriously, as well as the need for these complaints to be addressed. Also, on occasion in these hearings, mention has been made of the hard working people who will be displaced when the City shuts my business down. Some have said or alluded that these are jobs that are not worth saving, however in all fairness, that has never been a sentiment expressed by any member of this Council. One thing that has not been said is that I am a person, I have a family to provide for, I have a wife and three children to take care of, this is my livelihood and that I have made a substantial investment in my business. And this is the sole and entire purpose of today's hearing on this matter – to determine if one year has been sufficient time to amortize my investment. Since this is my one and only opportunity to have this Council consider this, I hope we will be allowed to make our case completely and that the hearing will stay focused on this aspect. Also, in past hearings, I have personally been the subject of adhominem attacks, once again not in front of this Council, and my investment has been belittled and described as nothing more than a handful of beat up folding chairs. So, hopefully we will be able to break the cycle of the past, address the matter that is at hand in a rational and honest fashion, and finally put an end to reliving "Groundhog Day".

In order to address the purpose of today's hearings, we have submitted a number memorandums, documents and calculations to the City. Most were prepared by me personally; and all have been done in good faith and as accurately as possible, so that we may ascertain what a reasonable amortization period would be. What we have submitted to the City is an accurate calculation of the value of our investment and an accurate calculation of how that investment should be amortized. Unfortunately, up to this point, it is abundantly clear that no one from the City has deemed the calculating of a fair amortization period to be a process in which they would like to engage or a result they feel is worthwhile. Because of the time constraints, Tony Aiken will be giving you an overview of our valuation and amortization calculations, so I will not go into these in detail. I will primarily be addressing the issues raised in the Department of Planning and Zoning's recommendation for denial of an extension.

Before addressing the specific shortcomings of the recommendation, I'd like to address a question that always seems to come up in front of City Council, but oddly nowhere else. That is whether or not it is the City's intention to shut down my business. Whether it is the City's intention or not, it would certainly be the practical effect. The City has passed a zoning ordinance that does not allow me to operate in any zone in the City. I would only allowed to do business with a special use permit and it has been made clear that the only location a special use permit would even be considered would be Eisenhower Avenue. I have contended that we would be unable to stay in business on Eisenhower Avenue. This contention is based on and supported by the experiences of Labor World, WAD, Outsource International, Tandem Labor, Trojan Labor and Allstar Temporaries – all of which had operations on Eisenhower Avenue and all of which are no longer in business. The only entity currently operating on Eisenhower Avenue is CDR Services and even though the City has decided not to enforce the provisions of this Ordinance against it, it operates at fraction of the level that should be expected. And, I'm not the only one who has come to this conclusion, even members of City Council reached the same conclusion in the December 2000 hearing. Furthermore, the more than half dozen uses of the phrase "cease operations" in its recommendation makes clear what Planning and Zoning's intentions are, even if they're not shared by this Council.

Moving on to Planning and Zoning's recommendation. First, it is clear that they want to use a bizarre and universally rejected definition of the value of my investment. They have chosen to use the purchase price of selected assets at the time of purchase instead of using the value of the investment on the date set forth in the Ordinance which is the proper definition. Using their definition, the City could take from me stocks in Standard Oil that I paid $1,000 for in 1950 and the City would only need to reimburse me the $1,000 I paid instead of the $1.3 million they are worth currently. We can all see why that definition can not be applied and why attacks on my submission based on that definition and calculations based on that definition can not be argued to be reasonable and must be rejected.

The recommendation also uses a bizarre and universally rejected method for amortizing the investment. Planning and Zoning has decided to begin the amortization at the point we began operation at that location instead of beginning the amortization on the date set forth in the Ordinance which is the proper method. Using Planning and Zoning's method, any business that is operating "in the black" continues at the pleasure of the City – and can be deemed non-conforming and have all of their past cash flow used to amortize them out of existence, including the cash flow generated before becoming non-conforming that likely has long since been used for other purposes. Likewise, in the event there were two entities, one that had been in business twenty years and one that had been in business two years, that were deemed to be non-conforming at the same time and would need ten years to amortize their uses. Using the City's method, one could be shut down immediately while the other would be given an additional eight years to continue. Once again, it is quite obvious how unreasonable such a method would be and why the amortization must begin at the date set forth in the Ordinance.

The recommendation also claims that I am not a recognized expert, I am unqualified to express opinions and have no regard for sound accounting principles. Not only is this belittling and insulting, but it is also very far from the truth. Government bodies and courts in Virginia have long recognized business owners as being experts in regard to the value of their businesses and their testimony to be expert testimony. As for my regard for sound accounting principles, the City points out the fact that I included intangible assets on my second submission to the City, but not the first. This is true, but they fail to point out that this was absolutely anticipated and the first submission contained numerous caveats regarding its completeness and that we fully expected the need to supplement or amend these figures once a thorough and proper valuation was completed. They also fail to point out that all of the values for hard assets remained constant in both submissions and that the value of intangible assets can only be obtained after an overall value is determined.

The City also considers my assumption that the entire amount of intangible assets would be lost if the business is discontinued to be erroneous and to be based on my lack of experience and lack of regard for sound accounting principles. However, the City's expert defines intangible assets as customer relationships, a trade name, employee relationships and goodwill. Common sense would tell us these things would lose their value completely once a company goes out of business. Because of the bizarre nature of their claim, I think it is a question best asked of Planning and Zoning or their expert. How does a company that is out of business not lose its intangible assets?

The expert retained by the City seems to have based their findings on the data and calculations contained in memos exchanged between opposing attorneys and a site visit which lasted only a few minutes in which they visited less than 20% of the facility, spoke with no employees (at least no permanent employees) and looked at no documents. Once again, because it is so bizarre, I am at a total loss when it comes to trying to comprehend or explain this, so you would be better served by having Planning and Zoning or their expert explain how any type of reasonable valuation or investment analysis can be done in this type of "drive-by" fashion. It would also be interesting to know if this is the typical method used the City's expert and even more interesting to know how they feel this method reconciles with sound accounting principles.

The City's expert also explicitly states that their analysis does not include any appreciation in the value of the business. Because this deviates so wildly from sound accounting and valuation principles, one can only assume that the City gave the convoluted definition of the value of an investment to their expert to use as a parameter. It is a question I hope you will pose to them. How can you base the value of an investment on the purchase price of a few select hard assets at a previous point in time? Would you base the value of McDonald's on the original 1948 costs of Dick and Mac's grill and fryer or its current 37 billion dollar market capitalization?

The City's expert also opines that all of the intangibles could be transferred to a new location without a significant loss in value. They give this opinion without providing any basis whatsoever. One has to wonder whether this opinion took into account that the only location that would be allowed by the City, if any, would be Eisenhower Avenue. One also has to wonder if they were aware that six out of seven agencies that have operated on Eisenhower Avenue no longer exist. Perhaps we should ask, if the expert knew of the incredibly narrow zoning restrictions and the affect the limitations of this location would have on this type of business. If they were unaware of these things, how could they have possibly put forward a reasonable and informed opinion – and if they were aware of these things how they could rationally have come to an opinion that is at such odds with the facts?

The City's expert then goes on to manipulate the data in a fashion that so defies accounting and valuation principles that I am at a loss to even find the words to describe it. They subtract out my Accounts Receivable making the statement that AR is not considered invested capital but is instead captured in the value of the business. This reasoning fails on two counts. First, how could the AR have come into existence without a capital investment? As has been made abundantly clear in these hearings, when I send people to work, I pay them, pay the insurances, taxes, etc… so all of our AR is based on costs that have already been incurred. Secondly, they say the AR should be captured in the value of the business, but they fail to do so. They subtract the AR as an asset, but do not make any corresponding addition elsewhere. Furthermore, whether invested capital (even by their definition) or value of the business, it should be included in the value of the investment and amortized accordingly.

They then go on to eliminate cash on hand as an asset. Once again, this action will have to be explained by them, because I can not fathom how cash on hand isn't an asset. What makes this all the more bizarre, is this wasn't even a value that I had amortized. I have never, would I ever, be so ridiculous as to try to argue that cash has a different value whether Ace is in business or closed, or where Ace is located.

They then deducted the appreciation value of the investment in real estate. Which goes back to their fundamental misunderstanding of the entire amortization process - that it is the value of the investment on the date set forth in the Ordinance that must be amortized. Likewise, they deducted loans receivable as an asset for no logical, rational or reasonably explained reason. Finally, they adjust actual figures for depreciable assets for generic assumptions based on tables. And once again, these actions are bizarre because I didn't amortize their value either. Their values were included in the exhibit because they were part of the value of the entire investment.

The result of this process, even ignoring intangible assets, is their calculation that the value of our investment is actually less than the sum of the hard assets. Using this method they have determined that the value of Ace is actually less than half of the value of our receivables, it is even less than the value of our undepreciated equipment and improvements. Which draws attention to the fact that they didn't seem to have any qualms about taking depreciation into account when doing their calculations, only appreciation. They also calculated that the value of our investment in our building is less than a third of our equity in the building itself.

One can't help but wonder if all of the deviations from using the correct definitions and methods by Planning and Zoning and their expert were the result of ignorance, incompetence or a concerted effort to deceive this Council. And I am not in a position to be able to assign their intentions or motives to them. But what we do know, and this is fact, they are trying to redefine the meaning of the value of an investment, they are trying to begin the amortization process at a point prior to that contained in the Ordinance and they have doctored the data in such a fashion that their calculations can not even be remotely accepted as reasonable. (And, it deserves to be pointed out, even with their most convoluted scenario, they were unable to amortize our investment in a one year period. Additionally, the buildup rate compiled by the City's expert clearly shows the need for a minimum amortization period of five years.)

As mentioned before, the numbers we submitted are accurate and show the value of our investment on the date set forth in the Ordinance. We also show how that investment will be impacted and we accurately amortize the affected portion of the investment. We have done what is required of us as outlined by Section 12-215(B) of the Ordinance and have clearly demonstrated why a fair and reasonable return on our investment could not be made in the twelve month amortization period. Should City Council decide not to grant us the 15 years necessary to properly amortize our investment (which is far shorter than the 40 year amortization period contained in Section 12-210(A)), we do hope you will at least grant us the standard seven year period contained in Section 12-214(A) for amortizing non-conforming uses.

24
6-21-05

"Alec Hendershot" <alhendershot@comcast.net>

06/07/2005 10:50 PM

To <Jackie.Henderson@alexandriava.gov>

cc

bcc

Subject June 21 Council Meeting

History: This message has been replied to and forwarded.

Dear Jackie Henderson,

This is in regard to the agenda item on the June 21 City Council meeting: Ace Temporaries' request for an extension to an imposed abatement period.

I have attached an open letter to the City Council members on this subject. Since I cannot make the meeting to personally testify, I would like to present my perspective on the matter. Can you forward my letter to them for their consideration in their decision process?

Sincerely,
Alec R. Hendershot
526 N Columbus St, Alexandria
703-683-3962

--
No virus found in this outgoing message.
Checked by AVG Anti-Virus.

Version: 7.0.322 / Virus Database: 267.5.1 - Release Date: 6/2/2005

Ace 12 month abatement period.doc

Alec R. Hendershot
525 N. Columbus St
Alexandria, VA 22314
703-683-3962

June 2, 2005

Dear City Council Members,

Re: Ace Temporaries—Extension of Abatement period

The City and its impacted residents have already endured a lengthy process dating from 1999 about how a zoning ordnance applies to Ace Temporaries—a day-labor operation. This letter addresses a decision you must make about extending a 12-month abatement period that the Zoning Board imposed. The abatement expired this past February—nearly four months ago. Ace is requesting an extension as part of its strategy to pursue delays. I suppose Ace will plead that the Zoning Board's action was neither fair nor reasonable and they need more time to conform. Your debate and subsequent decision will not be easy. With that in mind, and since I cannot personally attend the hearing, I take this opportunity to present the neighborhood's sentiment on the issue. We have been impacted by the operation of Ace's business for years, and we have testified repeatedly and uniformly as to the unwarranted nuisance that a day-labor business attracts to the residential area. I will not again repeat that testimony. Instead, I will address the correctness of the Zoning Board's 12-month abatement period just as it was correct for the BZA to uphold the Zoning Board decision that Ace operates a day labor business. You should conclude that the Board decisions were adequate, reasonable and prudent, and accomplished within due process. You should demonstrate your leadership by upholding the Board's decisions. Do not grant an extension since Ace has not earned it.

I present an economic thought about this situation. Ace's owner testified that he runs his business from a building of 3,000 square feet and that he generated revenue of about $6 million. The numbers can be verified from the testimony records. These numbers equate to annual sales of $2,000 per square foot. By comparison, several reports are readily available from the internet that discloses the average annual sales per square foot by various business categories. I have included just one quick example from a University of Wisconsin web page— it reports the highest sales per square foot of just over $300. I suspect you have similar numbers available for Alexandria businesses.

Ace Temporaries far exceeds the highest reported sales per square foot of any business category. Its numbers are in the thousands, while most businesses are in the hundreds per square foot. My point is that Ace generates so much revenue per square foot, that it would make any other business entity in Alexandria envious. On cash flow alone, Ace has had ample time to amortize its business investment at its current location.

Ace's owner also testified that it had assets to protect—such as its accounts receivable. That must be its only true asset—money owed to them for services already provided. Another typical business asset is inventory. Ace didn't mention it, but it acquires and pays for its "inventory" on a day-to-day basis, thus Ace does not carry much in the way of current accounts payable or long-term debt. The owner also mentioned his computer equipment as the other asset, and that he had about 4-8 office employees. Any business would amortize its computers over a useful life of no more than 3 years—if the computers are not simply expensed when purchased. In other words, Ace has no liabilities or fixed assets—simply cash flow. If you totaled the company overhead—recurring fixed-cost business expense—and compare operating expenses to reported revenues from that small 3,000 square foot office, you should conclude, without the testimony of a forensic accountant, that per Ace's balance sheet, it can very well afford to stay in business and do well financially, and they could do so in an area correctly zoned for industrial-like business.

In regard to my use of the term "inventory," Ace uses the term "employees." In testimony, Ace described the differences between its "office employees" and its inventory of "other" employees. That difference can be summed by saying the office staff receive a customary and usual salary and benefits package—such as health insurance and paid vacation. The "other" employees do not. So, for the purposes of meeting the federal IRS definitions, this inventory of other [day-labor] people are defined as employees and not as independent contractors. But, for the purposes of Ace's business strategy, this separately identifiable group of "employees" is managed no differently than retail inventory—not much different than other Alexandria retail businesses. Although Ace buys its inventory at wholesale and sells the inventory at retail, it does not "add value" to the raw inventory before sale or delivery to the customer. These "employees" are not managed like the other identified group—the office workers. Ace receives its inventory each morning and it ships that inventory out that same day. Actually, it is a very smart business strategy that practices "just-in-time" inventory delivery coupled with a very quick "daily" inventory turn-over rate. Any other Alexandria business would be awed by the strategy and their generation of sales per square foot. But, that is the nuisance created within the neighborhood; it is that daily inventory turnover-- its arrival and its shipment-- that is so personal in-your-face disruptive. [Okay, I did say I would not go down that path again…]

Relocation will not put Ace out of business. It may reduce slightly the revenue generated per square foot, but that is a cost of doing business that Ace can well afford. It may require that Ace actually invest in its business. Ace must assume some business risk as it has known for quite some time that it is not in compliance with zoning. In fact, Ace benefited from a delay of 6 months before the expired 12-month abatement period started—in reality Ace has now had at least 22 months to act responsibly. Ace has consciously determined that its business strategy is to stall and delay so that it can continue with that healthy cash flow. Ace has taken no action to invest in its business or invest in the neighborhood that it disrupts. I doubt if Ace could produce any record that it actively sought other locations during those 18 months made available for that purpose.

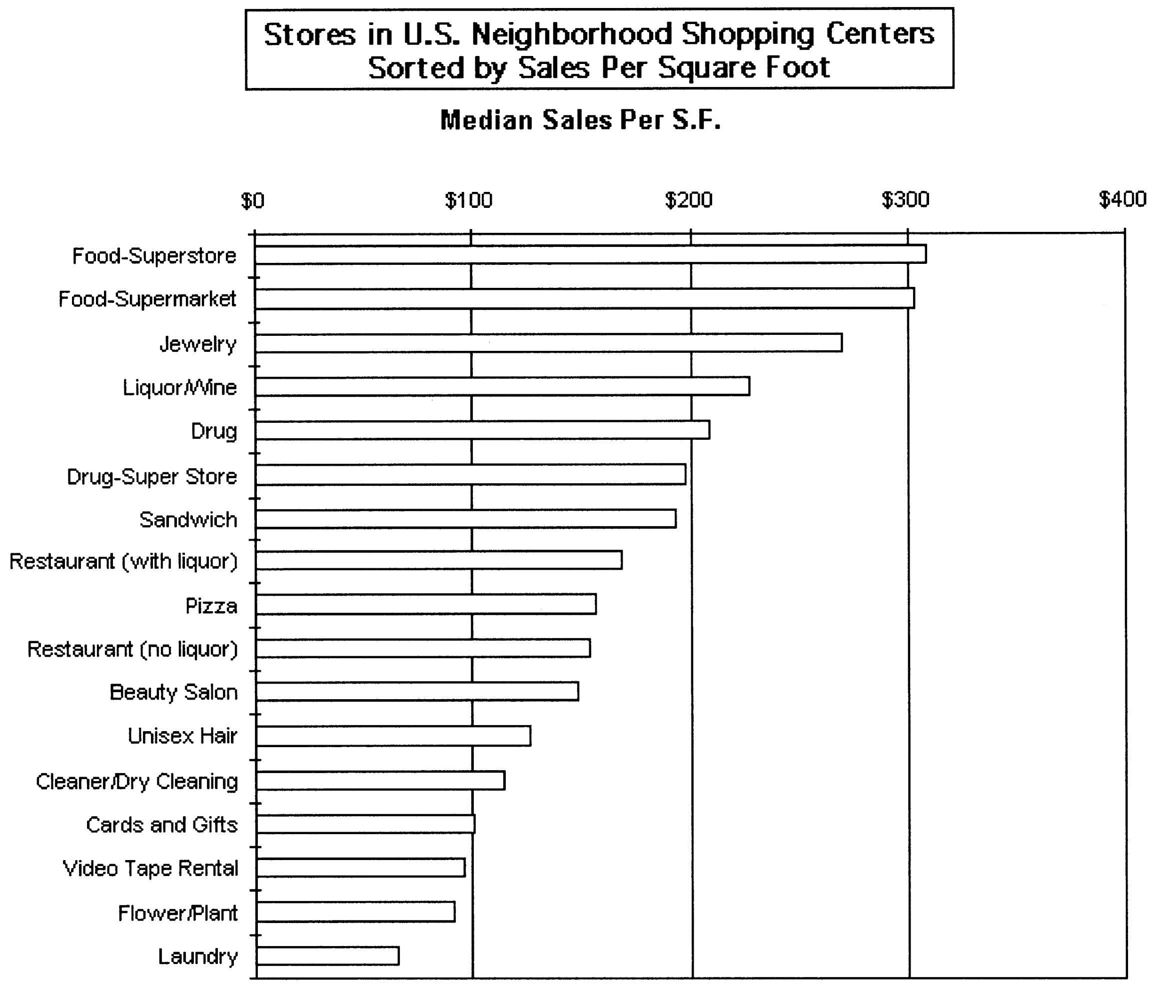
Please vote to put Ace in a position to relocate. Their abatement time has expired. They simply refused to listen, and they consciously choose their delay strategy. Relocation will cost them nothing. It has no assets that are not readily portable. Its inventory walks and talks, its accounts receivable are paper files or computer records, and its computers are nothing more than household PC's. They don't even have business signs that need moved. Take a look… the place is bare. Again, please support the Zoning Board's decision and do not extend the abatement period.

Sincerely,

signed
Alec R. Hendershot

Attachment

Source: Click here for the University of Wisconsin web link



Source: Dollars & Cents of Shopping Centers, 1995, Urban Land Institute

6/21/05

(4)

SPEAKER'S FORM

DOCKET ITEM NO. 24

PLEASE COMPLETE THIS FORM AND GIVE IT TO THE CITY CLERK BEFORE YOU SPEAK ON A DOCKET ITEM

PLEASE ANNOUNCE THE INFORMATION SPECIFIED BELOW PRIOR TO SPEAKING.

1. NAME: Mike Mattock
2. ADDRESS: 4310 Prince William Parkway, Suite 300, Prince William, VA 22192

   TELEPHONE NO. 703-680-4664 E-MAIL ADDRESS: mmattock@pw.thelandlawyers.com
3. WHOM DO YOU REPRESENT, IF OTHER THAN YOURSELF? Ace Temporaries, Inc. and ACC Holdings, LLC
4. WHAT IS YOUR POSITION ON THE ITEM?

   FOR: ✓ AGAINST: ________ OTHER: ________
5. NATURE OF YOUR INTEREST IN ITEM (PROPERTY OWNER, ATTORNEY, LOBBYIST, CIVIC INTEREST, ETC.):

   Attorney – Walsh, Colucci, Lubeley, Emrich & Terpak, P.C.
6. ARE YOU RECEIVING COMPENSATION FOR THIS APPEARANCE BEFORE COUNCIL?

   YES ✓ NO ________

This form shall be kept as a part of the permanent record in those instances where financial interest or compensation is indicated by the speaker.

A maximum of three minutes will be allowed for your presentation, except that one officer or other designated member speaking on behalf of each *bona fide* neighborhood civic association or unit owners' association desiring to be heard on a docket item shall be allowed five minutes. In order to obtain five minutes, you must identify yourself as a designated speaker, and identify the neighborhood civic association or unit owners' association you represent, at the start of your presentation. If you have a prepared statement, please leave a copy with the Clerk.

Additional time not to exceed 15 minutes may be obtained with the consent of the majority of the council present; provided notice requesting additional time with reasons stated is filed with the City Clerk in writing before 5:00 p.m. of the day preceding the meeting.

The public normally may speak on docket items only at public hearing meetings, and not at regular legislative meetings. Public hearing meetings are usually held on the Saturday following the second Tuesday in each month; regular legislative meetings on the second and fourth Tuesdays in each month. The rule with respect to when a person may speak to a docket item at a legislative meeting can be waived by a majority vote of council members present but such a waiver is not normal practice. When a speaker is recognized, the rules of procedures for speakers at public hearing meetings shall apply. If an item is docketed *for public hearing* at a regular legislative meeting, the public may speak to that item, and the rules of procedures for speakers at public hearing meetings shall apply.

In addition, the public may speak on matters which are not on the docket during the Public Discussion Period at public hearing meetings. The mayor may grant permission to a person, who is unable to participate in public discussion at a public hearing meeting for medical, religious, family emergency or other similarly substantial reasons, to speak at a regular legislative meeting. When such permission is granted, the rules of procedures for public discussion at public hearing meetings shall apply.

Guidelines for the Public Discussion Period

(a) All speaker request forms for the public discussion period must be submitted by the time the item is called by the city clerk.

(b) No speaker will be allowed more than three minutes; except that one officer or other designated member speaking on behalf of each *bona fide* neighborhood civic association or unit owners' association desiring to be heard during the public discussion period shall be allowed five minutes. In order to obtain five minutes, you must identify yourself as a designated speaker, and identify the neighborhood civic association or unit owners' association you represent, at the start of your presentation.

(c) If more speakers are signed up than would be allotted for in 30 minutes, the mayor will organize speaker requests by subject or position, and allocated appropriate times, trying to ensure that speakers on unrelated subjects will also be allowed to speak during the 30 minute public discussion period.

(d) If speakers seeking to address council on the same subject cannot agree on a particular order or method that they would like the speakers to be called on, the speakers shall be called in the chronological order of their request forms' submission.

(e) Any speakers not called during the public discussion period will have the option to speak at the conclusion of the meeting, after all docketed items have been heard.

6/21/05

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PLEASE ANNOUNCE THE INFORMATION SPECIFIED BELOW PRIOR TO SPEAKING.

1. NAME: Anthony M. Aiken, CPA

2. ADDRESS: 3975 University Dr., Suite 440

TELEPHONE NO. 703-591-1040 E-MAIL ADDRESS: aaiken@aikencopc.com

3. WHOM DO YOU REPRESENT, IF OTHER THAN YOURSELF? Ace Temporaries, Inc. & ACC Holdings, LLC

4. WHAT IS YOUR POSITION ON THE ITEM?
FOR: ✓ AGAINST: ______ OTHER: ______

5. NATURE OF YOUR INTEREST IN ITEM (PROPERTY OWNER, ATTORNEY, LOBBYIST, CIVIC INTEREST, ETC.):
CPA

6. ARE YOU RECEIVING COMPENSATION FOR THIS APPEARANCE BEFORE COUNCIL?
YES ✓ NO ______

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