

DRAFT



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6011 University Boulevard
Suite 350
Ellicott City, MD 21043

September 5, 2014

Mr. Bruce Miller
Finance Director
City of Annapolis
Via E-mail

Re: Letter of Intent – 110 Compromise Street, Annapolis, MD

Dear Mr. Miller:

On behalf of Chandler, LLC (hereinafter referred to as “Seller”), we are pleased to provide the following Letter of Intent for the City of Annapolis (hereinafter referred to as “City” or “Purchaser”) to acquire 110 Compromise Street, Annapolis, MD. The Seller is willing to consider a sale based on the following terms and conditions incorporated in this Letter of Intent. This letter shall be supplemented by standard terms and conditions as set forth in a Purchase Agreement to be drafted following execution of this Letter of Intent.

1. Purchase Agreement:

The Purchase Agreement shall be prepared by the City's counsel and shall incorporate the terms and conditions of this Letter of Intent (the "Purchase Agreement"). Both parties agree to proceed diligently to execute a formal Purchase and Sale Agreement within twenty (20) days following the execution of this non-binding Letter of Intent, reflecting, but not limited to, the terms and conditions herein. This Letter of Intent should not be construed as a binding contract. Execution of a formal Purchase and Sale Agreement shall be a condition precedent to the creation of a binding contract.

The Purchase Agreement shall include:

- A. Title. Seller shall deliver good and marketable title insurable at standard rates and terms by a title insurance company licensed in the State in which the Property is located, which company shall be selected by Purchaser. The Property shall be sold free of any liens.
- B. Customary representation and warranties from the Seller as to the condition of the Property.
- C. A provision whereby all closing costs, including but not limited to transfer and recordation taxes shall be payable by the City, and also providing that each party pays its own legal and advisors fees.
- D. A provision recognizing KLN B, LLC as the listing broker as the only brokerage company involved in this transaction. KLN B, LLC shall be paid a commission at settlement by the Seller in accordance with a separate agreement between Seller and Broker.

Individual member of



2. The Property:

An approximately 11,158 square foot building located at 110 Compromise Street, Annapolis, Maryland. The property is legally identified as Tax Map 52A, Grid 20, Parcel 1247/1255 totaling approximately 27,775 square feet. The property will be sold in “as-is” condition.

3. Purchase Price:

Four Million Five Hundred Thousand Dollars (\$4,500,000)

4. Deposit:

Upon execution of the Purchase Agreement, the City shall pay Seller a Deposit of One Hundred Thousand Dollars (\$100,000) which shall be refundable if the City does not to proceed with the acquisition of the Property due to a termination of the Purchase Agreement per the Contingencies outlined in Section 5 below. If the City does not exercise its right to terminate the Purchase Agreement per Section 5 below, the Deposit shall be applied to the Purchase Price at Closing. If the City does not exercise its right to terminate the Purchase Agreement per Section 5 below, the Deposit shall be non-refundable and shall be payable to the Seller if the City defaults on its obligation to close on the Property.

5. State Grant from Department of Natural Resources:

The Purchaser will have a period of sixty (60) days (hereinafter referred to as the “DNR Grant Contingency Period”) from the date of execution of the Purchase Agreement by Purchaser and Seller and delivery of an executed copy of same to both Purchaser and Seller or their respective counsel to obtain a commitment from the Maryland State Department of Natural Resources for a grant in an amount of not less than One Million Dollars (\$1,000,000) to be utilized in part for the acquisition of the Property or a portion thereof. The Purchaser can apportion the grant proceeds in any manner it sees fit when allocating the proceeds to the Property at Closing. The costs of obtaining the grant shall be borne solely by the Purchaser, however, Seller shall cooperate with Purchaser in their efforts.

At the conclusion of the DNR Grant Contingency Period, if the Purchaser has not obtained a commitment from the DNR for the grant for the intended purpose, the Purchaser may, in its sole discretion, by written notice to Seller, elect not to proceed with the Purchase of the Property and the Purchase Agreement will be null and void, or Purchaser may proceed to Closing according to the Purchase Agreement.

If Purchaser elects to terminate prior to the end of the DNR Grant Contingency Period, then the Purchase Agreement shall be deemed terminated and neither party shall have any liability to the other except for Seller's obligation to return the Deposit.

6. Closing:

The closing shall occur within ninety (90) days from the execution of the Purchase Agreement.

At Closing, Purchaser shall pay Seller the Purchase Price in the following manner;

Cash: \$1,000,000 (net of the Deposit) in cash at Closing
Promissory Note: \$3,500,000 at terms outlined in Section 8 below

At Closing, Seller shall convey to Purchaser by deed with covenants of special warranty, good and marketable title to the Property, insurable by the title company and free and clear of any and all liens, encumbrances, conditions, easements, assessments and restrictions, except for those matters of record and real estate taxes not yet due and payable, and such other easements, restrictions and conditions agreeable to Purchaser.

7. Promissory Note

The Purchaser and Seller shall enter into a Promissory Note in the amount of Three Million Five Hundred Thousand Dollars (\$3,500,000). The terms of the Promissory Note shall be as follows:

Length of Note: 5 years
Interest Rate: 5%
Amortization: 10 years
Prepayment: Available at any time without penalty or cost to Purchaser

The form of the Note shall be included as an amendment to the Purchase Agreement and shall be agreeable to both parties. There shall also be a Mortgage placed on the property in the amount of the Note providing the Seller with a 1st lien position on the property in the event of a default of the Note by the City. The Mortgage will be released upon full payment of the Note.

8. Expiration/Acceptance:

This Letter of Intent shall automatically expire and be deemed withdrawn if it is not accepted by Purchaser by countersigning the enclosed copy of this letter and delivering the executed copy to Purchaser by the close of business on September 12, 2014.

We appreciate your cooperation in this matter and look forward to hearing from you promptly regarding this Letter of Intent.

Sincerely,



Craig Morrell, SIOR
Principal
NAI KLNB, LLC

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Purchaser: City of Annapolis

By: _____

Title

Accepted this _____ day of September, 2014

Seller: Chandler, LLC

By: _____

Member
Title