

LEASE AGREEMENT

BETWEEN

**THE DISTRICT OF COLUMBIA
AS LANDLORD**

AND

PAUL PUBLIC CHARTER SCHOOL, INC.

AS TENANT

DATE: JUNE 31, 2013

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GROUND LEASE AGREEMENT

This Lease Agreement ("Lease") is made this 31 day of June 2013, by and between the **DISTRICT OF COLUMBIA**, a municipal corporation ("**Landlord**"), by and through the Department of General Services ("**DGS**") and **PAUL PUBLIC CHARTER SCHOOL, INC.**, a District of Columbia non-profit corporation ("**Tenant**").

IN CONSIDERATION of the payments of rents and other charges provided for herein and the covenants and conditions hereinafter set forth, Landlord and Tenant hereby covenant and agree as follows:

ARTICLE I.

REFERENCE PROVISIONS, DEFINITIONS AND EXHIBITS

As used in this Lease, the following terms shall have the meanings set forth in Sections 1.01 and 1.02 below. Other terms are defined elsewhere in this Lease, including Exhibits and Addenda and other attachments.

Section 1.01 Reference Provisions.

A. **Leased Premises:** That certain real property located at 5901 Ninth Street, NW, Washington DC, commonly known as the "**Paul School**" and as legally described in **Exhibit A** hereof, together with all buildings and improvements now or hereafter erected, constructed or placed thereon, including an existing school building consisting of approximately 128,400 square foot of floor area (the "**Building**"). The term "**Leased Premises**" for purposes of this Lease shall be deemed to include the Building, the underlying land and all improvements situated thereon.

B. **Date of Lease:** The date set forth in the opening paragraph above on this page. On such date, all rights and obligations of the parties under this Lease shall commence.

C. **Term or Lease Term:** Twenty-five (25) Lease Years beginning on the Commencement Date, as and to the extent extended by one (1) extension of twenty-five (25) Lease Years pursuant to Tenant's rights under Article III and Addendum II of this Lease.

D. **Commencement Date:** The Date of Lease.

E. **Rent Commencement Date:** The Date of Lease.

F. **Termination Date:** The last day of the Term, or any earlier date on which this Lease is terminated in accordance with the provisions hereof.

G. **Completion Date:** Twenty-four (24) full calendar months from the Date of Lease.

H. **Annual Base Rent:** Commencing on the Rent Commencement Date, the Annual Base Rent for the Leased Premises shall be as follows:

<u>Lease Year</u>	<u>Annually</u>	<u>Monthly</u>
1-5	\$503,070.00	\$41,922.50
6-10	\$0	\$0
11-25	\$25,644.00	\$2,127.00

It is the express understanding and agreement of Landlord and Tenant that the Rent due and payable hereunder shall be absolutely net to Landlord, so that this Lease shall yield to Landlord the Annual Base Rent described above, and that all costs, expenses and obligations of every kind and nature whatsoever relating to the Leased Premises shall be paid by Tenant (including real estate and possessory taxes assessed against the Leased Premises, water and sewer use fees, insurance premiums and utility expenses, and any and all operating, maintenance and repair costs of the Leased Premises and all improvements situated thereon).

I. **Rent Payments:** The Rent payments due herein shall be made payable to Landlord at:

DC Department of General Services
Lease Receipts
PO Box 96853
Washington DC 20090

J. **Addresses:**

FOR LANDLORD: **District of Columbia Department of General Services**
2000 14th Street, NW
8th Floor
Washington, DC 20009
Attention: Director

With copy to: **Office of the Attorney General for the District of Columbia**
1100 15th Street, N.W., Suite 800
Washington, D.C. 20005
Attention: Deputy of Commercial Division

FOR TENANT: **Paul Public Charter School, Inc.**
Attn.: Chief Operating Officer
5901 9th Street NW
Washington, DC 20011

With a copy to: **Law Office of Jerry Levine**
818 Connecticut Avenue, NW - #1009
Washington, DC 20006

K. **Addenda and Exhibits:** The addenda and exhibits listed below are attached to the Lease and are hereby incorporated in and made a part of the Lease. Any conflict or ambiguity between the Exhibits and the Lease, as amended by the Addenda, shall be resolved in favor of the Lease, as so amended.

Exhibit A	LEGAL DESCRIPTION OF THE LEASED PREMISES
Exhibit B	TENANT'S WORK
Addendum I	RENT CREDIT DURING OPTION PERIOD
Addendum II	OPTION PERIOD
Addendum III	LEASEHOLD MORTGAGE PROVISIONS
Addendum IV	EXISTING LEASE

L. **Permitted Use:** The Leased Premises shall be used solely for: (i) the operation of a Charter School to include pre-school through secondary level programs (i.e., high school) and/or post-secondary programs (including adult programs), and related administrative uses; (ii) the operation of a District of Columbia Public School; (iii) any ancillary use related to or connected with such Charter School use, as may be approved by Landlord; and/or (iv) any other educational purposes in the event of any permitted assignment of the Lease or sublease of the Leased Premises under the terms and provisions of the Lease.

Section 1.02 Definitions.

A. **Additional Rent:** All sums payable by Tenant to Landlord under the Lease, other than Annual Base Rent.

B. **Affiliate:** A Person which controls or is controlling, controlled by, or under common control with, Landlord or Tenant, or another Person, as the case may be. As used herein, “**control**” shall mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person or entity, whether through the ownership of voting securities or rights, by contract, or otherwise.

C. **BOMA Measurement Standard:** The Building Owners and Managers Association Standard Method for Measuring Floor Area in Office Buildings (BOMA/ANSI Z65.1-1996) for rentable floor area (i.e. gross square footage of space contained in all floors of any building located on the Leased Premises, minus the elevator core, flues, pipe shafts, vertical ducts, balconies, stairwell areas, and other similar columns and projections).

D. **Business Day:** Monday through Friday, other than (i) holidays recognized by the District of Columbia or the federal government, (ii) days on which the District of Columbia or federal government closes for business as a result of severe inclement weather or a declared emergency, and (iii) days of which public schools are closed in the District of Columbia. If any item must be accomplished or delivered under this Lease on a day that is not a Business Day, then it shall be deemed to have been timely accomplished or delivered if accomplished or delivered on the next following Business Day. Any time period that ends on a day other than a Business Day shall be deemed to have been extended to the next Business Day. The word “day” uncapitalized shall refer to a calendar day.

E. **Charter School:** A public charter school with a charter in effect pursuant to the District of Columbia School Reform Act of 1995 (D.C. Official Code § 38-1800.01 *et seq.* (Supp. 2005)).

F. **Completed or Completion:** With respect to Tenant’s Work or other Alterations, work shall be deemed “Completed” or “Completion” shall be deemed to have occurred when the work has been so certified as completed by Tenant’s architect, subject to completion of minor punch list items.

G. **Excused Periods:** Periods during which the failure of Tenant to conduct the operations of its business in the Leased Premises for the Permitted Use: (x) resulted from alterations or renovations being diligently performed in and to the Leased Premises in accordance with the terms of this Lease or (y) was caused by damage or destruction, eminent domain proceedings or actions, or Force Majeure, including snow or other weather conditions or other emergencies, or (z) provided that the School is open at least 180 days per calendar year, days on which the School is closed pursuant to Tenant’s published calendar (“**Tenant’s Published Calendar**”).

H. **Floor Area:** The actual number of rentable square feet of space contained on all floors within any building located on the Leased Premises and measured pursuant to and in accordance with the BOMA Standard of Measurement.

I. **Force Majeure:** Those items described in Section 17.12 below.

J. **Governmental Authority:** Any and all federal or District of Columbia governmental or quasi-governmental board, agency, authority, department or body having jurisdiction over any or all of the Leased Premises.

K. **Green Building Requirements:** All requirements of Title 6, Chapter 14A of the District of Columbia Code entitled “**Green Building Requirements.**”

L. **Hazardous Material Laws:** All federal, state and local laws, statutes, ordinances and regulations including the Federal Water Pollution Control Act (33 U.S.C. Section 1251 *et seq.*), the Resource Conservation & Recovery Act (42 U.S.C. Section 6901 *et seq.*), the Safe Drinking Water Act (42 U.S.C. Section 3000 [f] *et seq.*), the Toxic Substances Control Act (15 U.S.C. Section 2601 *et seq.*), the Clean Air Act (42 U.S.C. Section 7401 *et seq.*), the

Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. Section 9601 et seq.), and comparable state laws relating to industrial hygiene, environmental protection or the use, analysis, generation, manufacture, storage, disposal or transportation of any oil, flammable materials, explosives, asbestos, urea formaldehyde, radioactive materials or waste, or other hazardous, toxic, contaminated or polluting materials, substances or wastes which are or become regulated as hazardous or toxic under any federal, state or local laws, statutes, ordinances or regulations (collectively, “**Hazardous Materials**”).

M. **Interest:** A rate per annum of the lesser of: (i) ten percent (10%) or (ii) the maximum permitted by law.

N. **Laws:** All federal and District of Columbia laws, statutes, codes, ordinances, regulations, rules, licenses, permits, variances, governmental orders, and Governmental Approvals including Hazardous Material Laws and Green Building Requirements which relate to or are applicable to the Leased Premises or the use, occupancy or control thereof or the conduct of any business thereon, including those relating to the making, or requiring the making, of any additions, changes, repairs or improvements, structural or otherwise, to or of the Leased Premises, or any portion thereof.

O. **Landlord and Landlord’s Indemnitees:** Landlord solely in its capacity as a contract party to this Lease, and the documents expressly contemplated to be signed in this Lease, acting through DGS, and not any other governmental or quasi-governmental agency of the District of Columbia, such that the acts or omissions of any governmental or quasi-governmental agency of the District of Columbia, other than the District of Columbia solely in its capacity as a contract party to this Lease, and the documents expressly contemplated to be signed in this Lease, (acting through DGS), shall not constitute the acts or omissions of “**Landlord**” for the purposes of this Lease. For purposes of this Lease, Landlord’s Indemnitees shall mean Landlord, and the officers, directors, agents and employees of, Landlord.

P. **Lease Year:** Each twelve (12) month period beginning August 1 and ending July 31, both dates inclusive, until the Lease Term ends. Notwithstanding the foregoing, the first Lease Year shall begin on the Commencement Date and shall end on July 31, 2014.

Q. **Partial Lease Year:** Any period during the Term which is less than a full Lease Year.

R. **Person:** An individual, firm, partnership, association, corporation, limited liability company or any other entity.

S. **Rent:** Subject to the terms and provisions of Addendum I, Annual Base Rent, plus Additional Rent.

T. **Tax Year:** The period designated as the tax year for the Leased Premises by the District of Columbia.

U. **Taxes:** Any and all real estate taxes and assessments (whether general or special) that are levied or assessed by any lawful authority on the Leased Premises and on all improvements thereon including without limitation all ad valorem, possessory and other taxes, assessments, business improvement district fees, water and sewer rents and charges, hook-up and tap-in fees (if any), use and occupancy taxes, development and impact fees, license and permit fees, vault space rent, leasehold taxes or taxes based upon the receipt of rent (including gross receipts or sales taxes applicable to the receipt of rent) and any and all other charges, general and special, ordinary and extraordinary, unforeseen as well as foreseen, of any kind and nature whatsoever, which are assessed, levied, confirmed, imposed, charged, or become or could become a lien upon the Leased Premises during the Term of this Lease.

U. **Tenant’s Work:** The work and obligations to be performed by Tenant pursuant to the terms and provisions of Section 9.02 and **Exhibit B** of this Lease.

V. **Approved Mortgagee and Leasehold Mortgage** – See Addendum III.

ARTICLE II.

LEASED PREMISES

Landlord hereby demises and leases to Tenant, and Tenant hereby rents and leases from Landlord, the Leased Premises described in **Exhibit A**, subject to all matters affecting title to the Leased Premises as of the Date of Lease and subject to the terms and conditions hereinafter set forth. Landlord agrees to provide, at no cost to Landlord, such assurances as are reasonably necessary to facilitate issuance of leasehold title insurance to Tenant and leasehold mortgage title insurance to Tenant's lenders on such form as is reasonably acceptable to Landlord.

ARTICLE III.

TERM

Section 3.01 Term.

The Term shall commence on the Commencement Date and expire on the Termination Date.

Section 3.02 End of Term.

Subject to the provisions of Addendum II hereto with respect to Tenant's options to extend the Term, this Lease shall terminate on the Termination Date without the necessity of notice from either Landlord or Tenant. Upon the Termination Date, Tenant shall quit and surrender to Landlord the Leased Premises, broom-clean, in good order and condition, ordinary wear and tear and damage by casualty and condemnation excepted; and shall surrender to Landlord all keys to or for the Leased Premises.

Section 3.03 Holding Over.

If Tenant fails to vacate the Leased Premises on the Termination Date (as the same may be extended pursuant to Addendum II), Landlord shall have the benefit of all provisions of law respecting the speedy recovery of possession of the Leased Premises (whether by summary proceedings or otherwise). In addition to and not in limitation of the foregoing, occupancy subsequent to the Termination Date ("**Holdover Occupancy**") shall be a tenancy at will. Holdover Occupancy shall be subject to all terms, covenants, and conditions of the Lease (including those requiring payment of Additional Rent), except that the Annual Rent for each day that Tenant holds over ("**Holdover Annual Rent**") shall be equal to one and one-half (1-1/2) times the per diem Annual Base Rent payable in the last Lease Year (exclusive of any Rent Credit). Landlord also shall be entitled to recover actual damages (but not consequential damages, punitive damages, indirect losses, loss of value, permanent or temporary loss of business, lost profits, lost opportunity damages or any other damages) suffered by Landlord as a result of Tenant's Holdover Occupancy. Notwithstanding anything to the contrary in the foregoing, the Holdover Annual Base Rent shall not be applicable (i) in the event Tenant is holding over with Landlord's written consent, in which event the tenancy shall be a month-to-month tenancy subject to all of the terms, conditions and covenants of the Lease; or (ii) during the sixty (60) days following the Termination Date if Landlord and Tenant are negotiating an extension of the Term in good faith during such sixty (60) day period.

ARTICLE IV.

USE AND OPERATION OF THE LEASED PREMISES

Section 4.01 Continuous Operation by Tenant

A. Tenant shall (i) use the Leased Premises for the Permitted Use as the Paul Public Charter School on the Rent Commencement Date; (ii) employ reputable business standards and practices consistent with the operation of public Charter Schools in the District of Columbia; and (iii) except for Excused Periods, operate the entire Leased Premises for the Permitted Use continuously and uninterruptedly during the Term during all Business Days.

B. Intentionally Deleted.

Section 4.02 Use.

A. Tenant shall use the Leased Premises solely for the Permitted Use. Tenant shall, at Tenant's sole cost and expense, comply with all Laws affecting the Leased Premises including the making of any and all alterations or other improvements to the Leased Premises as are required by Laws. In no event shall Tenant use, occupy, alter or perform any activities within the Leased Premises in a manner or for purposes which are prohibited by zoning or similar laws or regulations, or declarations, covenants, conditions, limitations, easements or restrictions now or hereafter of record which are applicable to the Leased Premises.

B. Tenant acknowledges and agrees it is solely responsible for determining if the Permitted Use complies with all zoning regulations, and that Landlord makes no representation (explicit or implied) concerning such zoning regulations or the suitability of the Leased Premises for the Permitted Use.

Section 4.03 Signs.

A. Tenant shall not, without the prior written consent of Landlord, which consent shall not be unreasonably withheld, install any exterior signs on the Leased Premises or any interior signs which can be seen from the exterior of the Premises ("**Signs**"). In the event that any Signs are installed on the Leased Premises, same shall be in compliance with all Laws. Tenant, at Tenant's sole cost and expense, shall obtain all permits and licenses required in connection with any Signs and shall be fully responsible for the installation and maintenance thereof. Notwithstanding the foregoing, Landlord hereby consents to the Signs on the Leased Premises on the Date of Lease.

B. Tenant shall submit to Landlord reasonably detailed drawings of all proposed new Signs for review and approval by Landlord prior to installation or utilization of the Signs, which approval shall not be unreasonably withheld provided Tenant's Sign drawings are in compliance with governmental codes. Upon submission by Tenant to Landlord of any drawings for proposed Signs (each, a "**Sign Request**"), Landlord shall have fifteen (15) Business Days to review and approve any Sign Request. In the event that Landlord has not responded to Tenant with respect to any Sign Request within such fifteen (15) day period, then Tenant shall have the right to deliver a notice to Landlord containing the following language in bold font and capital letters: **THIS NOTICE IS DELIVERED PURSUANT TO SECTION 4.03 OF YOUR LEASE FOR LEASED PREMISES AT THE PAUL PUBLIC CHARTER SCHOOL LOCATED AT 5901 9TH STREET NW. IF YOU FAIL TO APPROVE OR DISAPPROVE OR SEND COMMENTS TO THOSE CERTAIN SIGN DRAWINGS DELIVERED TO YOU ON _____ FOR SIGNAGE TO BE INSTALLED AT PAUL PUBLIC CHARTER SCHOOL WITHIN FIVE (5) BUSINESS DAYS OF YOUR RECEIPT OF THIS NOTICE, LANDLORD WILL BE DEEMED TO HAVE APPROVED THE SIGN SHOWN IN SUCH DRAWINGS.** Notwithstanding the foregoing, Tenant shall be permitted to install temporary banners on the exterior of the Building for purposes of notifying students and parents of activities and programs occurring at the Leased Premises, provided that such banners are in compliance with Laws and are not installed for more than thirty (30) days and an aggregate of ninety (90) days per Lease Year without approval from Landlord, which approval shall not be unreasonably withheld, conditioned or delayed.

C. Landlord shall have the right, upon five (5) days written notice to Tenant and at Tenant's sole risk and expense, to remove any items which are in violation of the provisions of this Section 4.03. Tenant shall maintain all Signs in first class condition, operating order and repair at all times. Tenant shall repair any Signs that have been damaged within ten (10) Business Days after such damage occurs. If Tenant fails to repair any of its Signs as specified above, and such failure continues for a period of five (5) Business Days following receipt of written notice from Landlord, subject to reasonable extension by mutual agreement of the parties, Landlord shall have the right to make such repairs at Tenant's sole cost and expense.

Section 4.04 Intentionally Deleted.

ARTICLE V.

RENT

Section 5.01 Rent Payable.

A. Tenant shall pay all Rent to Landlord, without prior notice or demand and without offset, deduction or counterclaim whatsoever, in the amounts, at the rates and times set forth herein, and at such place as is provided in Section 1.01, or at such other place as Landlord may from time to time designate by notice to Tenant.

B. If Tenant fails to make any payment of Rent within ten (10) days from the date that such Rent is due, Tenant shall pay Landlord a late charge equal to five percent (5%) of the amount due. Payment of such late charge shall not excuse or waive the late payment of Rent. Tenant acknowledges and agrees that such late charge is a reasonable estimate of the damages as a result of Tenant's violations of this Section 5.01.B. and that it would be impracticable or extremely difficult to determine Landlord's actual damages.

C. Any payment by Tenant of less than the total Rent due shall be treated as a payment on account. Acceptance of any check bearing an endorsement, or accompanied by a letter stating that such amount constitutes "payment in full" (or terms of similar import) shall not be an accord and satisfaction or a novation, and such statement shall be given no effect. Landlord may accept any check without prejudice to any rights or remedies which Landlord may have against Tenant.

D. For any portion of a calendar month at the beginning of the Term, Tenant shall pay in advance the pro-rated amount of the Rent for each day included in such portion of the month.

Section 5.02 Payment of Rent.

Subject to the provisions of Addendum I of this Lease with respect to any Rent Credits, Tenant shall pay Landlord the Annual Base Rent in equal monthly installments, in advance, commencing on the Rent Commencement Date, and on the first day of each calendar month thereafter throughout the Term, subject to any credits or abatements set forth in this Lease.

Section 5.03 Taxes.

A. Tenant shall provide to Landlord official receipts or other evidence satisfactory to Landlord evidencing the payment of all Taxes for which Tenant is liable pursuant to this Lease which are related to the Leased Premises, if any. Notwithstanding the foregoing, Tenant shall not be responsible for any Taxes charged against or imposed on all or any portion of the Leased Premises that were assessed prior to the Commencement Date.

B. Taxes shall not include personal income taxes, personal property taxes, inheritance taxes, or franchise taxes levied against the Landlord, and not directly against the Leased Premises, even though such taxes might become a lien against the Leased Premises.

Section 5.04 Payment of Taxes.

A. Commencing on the Rent Commencement Date, Tenant covenants and agrees to pay, upon the same first becoming due and payable, before any penalty, fine, interest or cost would become payable thereon for non-payment, any and all Taxes applicable to or assessed against the Leased Premises (which is deemed to include the land and all improvements situated thereon). Tenant shall timely pay all such Taxes to be paid by it directly to the appropriate authority.

B. Notwithstanding the foregoing, Tenant shall not be responsible for any Taxes charged against or imposed on all or any portion of the Leased Premises which accrued prior to the Commencement Date. All Taxes for the Tax Year in which the Term of this Lease commences, as well as during the year in which the Term expires, shall be apportioned so that Tenant shall pay its proportionate share of the Taxes which are payable in the year in which the Term commences and in the year in which the Term expires, and Landlord shall pay its proportionate part for all Taxes which accrued prior to the Commencement Date or accrued

subsequent to the Termination Date. Any sum payable by Tenant, as provided in this Article V, which would not otherwise be due until after the Termination Date (but attributable to the period of time preceding such Termination Date), shall be paid by Tenant to Landlord on or before the Termination Date.

C. Where any Taxes are permitted by Law to be paid in installments, Tenant may pay Taxes in installments as and when such installments become due; provided, however, that the amount of all installments of any such Taxes which are to become due and payable after the Termination Date shall not be apportioned (except as provided in Section 5.04.B hereof).

D. Landlord, solely in its capacity as owner of the Leased Premises, shall use reasonable efforts, at no cost to Landlord, to cooperate with Tenant in Tenant's applications for any and all property tax, transfer tax, or recordation tax exemption to the extent such cooperation would be required by any Governmental Authority of any property owner similarly situated. In the event that Tenant fails to file any such tax exemption forms or applications within the time period permitted by Laws, Tenant's obligations to pay any and all Taxes, as stated in this Article V shall be consistent with the terms and conditions contained in this Lease.

E. If any Taxes are to be paid by Tenant, Tenant, may, at Tenant's sole cost and expense, contest in good faith and diligently any Taxes to the extent permitted by Laws; provided that Tenant shall pay all such Taxes prior to the imposition of any penalties, fees or other liabilities in connection therewith if required to do so by Law in order to contest same or shall have furnished a good and sufficient bond or surety reasonably satisfactory to Landlord or, at Tenant's option, deposited with Landlord the amount of the item so contested (or, where permitted by law, paid the same under protest), together with such additional sums as may reasonably be required to cover interest or penalties accrued or to accrue on any such item or items. Except with respect to Taxes directly imposed on Tenant, Landlord shall lend all reasonable assistance to Tenant in any such contest proceeding provided that if third-party out-of-pocket costs or expenses are incurred by Landlord, Tenant shall reimburse such expenses upon demand and presentation of a reasonably detailed invoice therefor. Landlord shall not be required to join in any proceedings referred to in this Section unless the provisions of any Laws at the time in effect shall require that such proceedings be brought by or in the owner's name. In such event, Landlord shall join in such proceedings.

Section 5.05 Taxes on Tenant's Personal Property.

Tenant shall pay all governmental taxes, charges, fees and assessments applicable to Tenant's Property (as hereinafter defined in Section 9.05 of this Lease) before they become delinquent.

ARTICLE VI.

NET LEASE

Section 6.01 Triple Net Lease.

This is a triple net lease and Landlord shall not be required to provide or pay for any services or do any act or thing with respect to the Leased Premises or the appurtenances thereto, except as may be specifically provided herein and, except as otherwise provided herein, the Rent shall be paid to Landlord without any claim on the part of Tenant for diminution, set off or abatement, and nothing shall suspend, abate or reduce any Rent to be paid hereunder, except as otherwise specifically provided in this Lease.

ARTICLE VII.

UTILITIES

Section 7.01 Utility Charges.

Tenant shall pay for all water, gas, electricity, telephone, sewer, heat, steam, fuel, and all other services and utilities of every kind and nature supplied to the Leased Premises from and after the Commencement Date. Tenant shall be solely responsible for the connection, hook-up, and tap-ins to utility lines, and arrangements for utility service, including the payment of all

impact fees, deposits, fees and all other charges and costs incurred in connection therewith during the Term. Landlord shall reasonably cooperate with Tenant, at no cost to Landlord, to cause such utilities and services, if any, to be transferred to Tenant.

ARTICLE VIII.

INDEMNITY AND INSURANCE

Section 8.01 Indemnity.

A. Except as otherwise provided in this Section, Tenant agrees, to the fullest extent permitted by law, to indemnify, hold harmless and defend Landlord's Indemnitees from and against any and all claims, losses, actions, damages, liabilities and expenses (including reasonable attorneys' fees and disbursements) that arise from or are in connection with (i) Tenant's possession, use, occupancy, management, repair, maintenance or control of all or any part of the Leased Premises, the making or removal of alterations or improvements to the Leased Premises and the performance of all related construction work, or that relate in any manner to the business conducted by Tenant in the Leased Premises, (ii) any willful or negligent act or omission of Tenant or its agents, employees or contractors in the Leased Premises, (iii) any injury or death to individuals or damage to any property sustained within the Leased Premises, or (iv) a Default or breach of a representation by Tenant under this Lease. Landlord may, at its option, require Tenant to assume Landlord's defense in any action covered by this Section 8.01.A. through counsel selected by Tenant that is reasonably satisfactory to Landlord. Tenant shall not be obligated to indemnify Landlord's Indemnitees against loss, liability, damage, cost or expense arising out of the willful or negligent acts or omissions of Landlord's Indemnitees or any of them. The terms and provisions of this Section 8.01 shall survive the termination of this Lease, in respect of matters arising from acts, omissions or neglect occurring during the Term of this Lease for the period afforded to Landlord's Indemnitees under the applicable statute of limitations. Should any claim be made against Landlord or any of Landlord's Indemnitees or an action or proceeding be brought against any of them as set forth in this Section, Landlord agrees to give Tenant reasonably prompt written notice thereof so as to enable Tenant to resist or defend such claim, action or proceeding.

B. Notwithstanding the foregoing, the indemnifications and defense obligations by Tenant under this Lease shall not cover, and Tenant shall not be liable for, any consequential damages, punitive damages, indirect losses, loss of value, temporary loss of business, lost profits, or lost opportunity damages at or arising from the Leased Premises suffered by Landlord and/or Landlord's Indemnitees (excluding Rent and Additional Rent due hereunder).

Section 8.02 Landlord Not Responsible for Acts of Others.

From the Commencement Date, Tenant is and shall be in exclusive control and possession of the Leased Premises, and Landlord shall not in any event whatsoever be liable for any injury or damage to any property or to any person happening on or about the Leased Premises, or for any injury or damage to any property of any tenant, lessee, business invitee, guest, or licensee of Tenant, except to the extent caused by any willful or negligent act or omission of Landlord's Indemnitees during any permitted entry of the Leased Premises. Landlord's Indemnitees shall not be liable for, and Tenant waives all claims for loss or damage to Tenant's business or injury or damage to Person or property sustained by Tenant, or claim resulting from any accident or occurrence in, on, or about the Leased Premises, including claims for loss, theft, injury or damage resulting from: (i) any equipment or appurtenances being or becoming out of repair; (ii) wind, weather, earthquake or other act of God; (iii) any defect in or failure to operate any sprinkler, HVAC equipment, electric wiring, gas, water or steam pipe, stair, railing or walk; (iv) broken glass; (v) the backing up of any sewer pipe or downspout; (vi) the escape of gas, steam or water; (vii) water, snow or ice being upon the Leased Premises or coming into the Leased Premises; (viii) the falling of any fixture, plaster, tile, stucco or other material; and (ix) any act, omission or negligence of other tenants, guests, invitees, licensees of Tenant or of Leased Premises or any other Persons including occupants of adjoining or contiguous buildings, owners of adjacent or contiguous property, or the public, unless any such loss, theft, injury or damage arises out of the willful or negligent acts or omissions of Landlord's Indemnitees or any of them.

Section 8.03 Tenant's Insurance.

Commencing on the Commencement Date and at all times thereafter, Tenant shall carry and maintain, at its sole cost and expense:

A. Commercial General Liability Insurance (ISO form or equivalent) naming Tenant as the named insured and Landlord as an additional insured, protecting Tenant and the additional insured against liability for bodily injury, death and property damage occurring upon or in the Leased Premises, with a minimum combined single limit of Two Million Dollars (\$2,000,000.00) and a general aggregate limit of Five Million Dollars (\$5,000,000.00).

B. "Special Form" property insurance covering the Building, the Leasehold Improvements and Tenant's Property written for at least the full replacement cost, with a deductible of not more than Five Thousand Dollars (\$5,000.00).

C. Appropriate workmen's compensation insurance, flood insurance (if the Leased Premises are determined to be within a flood hazard area) and such other policies of insurance covering other insurable perils which are customarily insured against in the case of comparable properties in the District of Columbia and in such amounts as may from time to time be reasonably required by Landlord or as may be required by law.

D. Appropriate employer's liability insurance in an amount not less than One Million Dollars (\$1,000,000.00) per accident; One Million Dollars (\$1,000,000.00) per employee; One Million Dollars (\$1,000,000.00) policy limit.

F. "Child Molestation/Sexual Misconduct" liability insurance, naming Tenant as the named insured and Landlord as an additional insured, in the amount of Two Million Dollars (\$2,000,000.00), providing coverage which any named and/or named additional insureds shall be legally liable to pay as damages due to an act, event or occurrence covered by such insurance.

E. Notwithstanding the foregoing or anything to the contrary contained elsewhere in this Lease, the amount of such coverage shall be subject to Landlord's review every five (5) years for the Term of this Lease. In the event Landlord, in its reasonable judgment, deems the coverage required under this Section insufficient after any such five-year review, Tenant shall increase the amount or type of coverage required hereby by Landlord, provided such increase shall be commercially reasonable.

Section 8.04 Tenant's Contractor's Insurance.

With respect to any Alterations performed by Tenant on the Leased Premises, Tenant shall carry, or cause any contractor performing work on the Leased Premises to obtain, carry and maintain, at no expense to Landlord: (i) worker's compensation insurance and employer's liability insurance as required by the District of Columbia; (ii) builder's risk insurance with a deductible no greater than Ten Thousand Dollars (\$10,000.00), in the amount of the full replacement cost of the Building, and the Leasehold Improvements; (iii) Commercial General Liability Insurance providing on an occurrence basis a minimum combined single limit of Two Million Dollars (\$2,000,000.00) per occurrence (and Five Million Dollars (\$5,000,000.00) general aggregate, if applicable); and (iv) business automobile liability insurance including the ownership, maintenance and operation of the automotive equipment, owned, hired and non-owned coverage with a combined single limit of not less than Two Million Dollars (\$2,000,000.00) for bodily injury and property damage. If such contractor fails to acquire such insurance, Tenant shall provide such insurance (except worker's compensation insurance and employer's liability) at its sole cost and expense.

Section 8.05 Policy Requirements.

Any company writing any insurance which Tenant is required to maintain or cause to be maintained under Sections 8.03 and 8.04 as well as any other insurance pertaining to the Leased Premises or the operation of Tenant's business therein (all such insurance being referred to as "Tenant's Insurance") shall at all times be licensed and qualified to do business in the District of Columbia and shall have received an A or better (and be in a financial size category of class VII or higher) rating by the latest edition of A.M. Best's Insurance Rating Service. All policies of Tenant's Insurance shall contain endorsements requiring the insurer(s) to give notice to

Landlord at least thirty (30) days in advance of any material reduction, cancellation, termination or non-renewal of said insurance. Tenant shall be solely responsible for payment of premiums for all of Tenant's Insurance. Tenant shall deliver to Landlord at least fifteen (15) days prior to the time Tenant's Insurance is first required to be carried by Tenant, and upon renewals at least fifteen (15) days prior to the expiration of the term of any such insurance policy, a certificate of insurance of all policies procured by Tenant in compliance with its obligations under the Lease. The limits of Tenant's Insurance shall not limit Tenant's liability under the Lease, at law, or in equity. If Tenant fails to deposit a certificate of insurance with Landlord for a period of seven (7) days after notice from Landlord, Landlord may acquire such insurance, and Tenant shall pay Landlord the amount of the premium applicable thereto within five (5) days following notice from Landlord.

Section 8.06 Blanket Policies.

Any insurance required to be maintained herein by Tenant or any subtenant may be effected under blanket insurance policies relating to the Leased Premises and other properties, so long as Tenant provides evidence to Landlord that the amount of insurance covering the Leased Premises, and Tenant's use thereof, shall not be affected by losses at any or all additional locations.

Section 8.07 Waiver of Right of Recovery.

Notwithstanding anything in this Lease to the contrary, Tenant hereby waives and releases Landlord's Indemnitees of and from any and all rights of recovery, claims, or causes of action, whether by subrogation or otherwise, against Landlord's Indemnitees, for any loss or damage that may occur to the Leased Premises, Tenant's Property or to Leasehold Improvements (regardless of cause or origin, including negligence of any of Landlord's Indemnitees), which loss or damage is insured against or is required to be insured against hereunder. Tenant agrees immediately to give to each insurance company written notice of the terms of the waivers of subrogation contained in this paragraph, and to have the insurance policies properly endorsed, if necessary, to prevent the invalidation of the insurance coverage by reason thereof.

ARTICLE IX.

CONSTRUCTION AND ALTERATIONS

Section 9.01 Condition of Leased Premises.

On the Commencement Date, Tenant acknowledges that: (i) Tenant has inspected the Leased Premises; (ii) Tenant accepts the Leased Premises, and all improvements, betterments and equipment "AS IS", with no representation or warranty by Landlord, express or implied, as to the condition or suitability of the Leased Premises for Tenant's purpose; and (iii) Landlord has no obligation to construct, improve, maintain or repair the Leased Premises, except as specifically set forth in this Lease.

Section 9.02 Tenant's Work.

Tenant, at Tenant's sole cost and expense, shall remodel, renovate and refurbish the Building and construct all of Tenant's Work in and to the Leased Premises as required pursuant to the terms and provisions hereof and of **Exhibit B** attached hereto and made a part hereof. Tenant shall pay, at its sole cost and expense, any and all fees for building permits, impact fees and related governmental charges in connection with the construction of Tenant's Work and any other work done by or on behalf of Tenant in and to the Leased Premises.

Section 9.03 Alterations.

Except as otherwise provided herein, after the Completion of Tenant's Work, Tenant shall not make or cause to be made any alterations, additions, renovations, improvements or installations in or to the Leased Premises (hereinafter singularly referred to as an "**Alteration**" and collectively as "**Alterations**") without Landlord's prior consent, which consent shall not be unreasonably withheld, conditioned or delayed. Notwithstanding the foregoing or anything to the contrary contained elsewhere in this Lease, after Completion of Tenant's Work as aforesaid, Tenant may make or cause to be made any Alteration without Landlord's consent provided that

such Alteration does not (a) alter, impair or modify the structure or base Building systems, (b) materially change the floor area, total volume or height of the Building, (c) modify in any material respect the basic character and function of the Building, (d) materially modify the external appearance of the Building, (e) increase the overall square footage of enclosed building space on the Leased Premises, or (f) cost in excess of \$500,000.00 individually or in the aggregate in any 12 month period. Notwithstanding the foregoing, Tenant shall have the right, at any time and from time to time, as often and frequently as Tenant wishes, to make Alterations to the interior of the Building that are cosmetic in nature, including without limitation, painting and carpeting, as Tenant in Tenant's sole and absolute discretion shall deem necessary or desirable, without the necessity of notifying Landlord thereof or securing Landlord's permission or consent therefor. In the event of an emergency which threatens life, safety or property, Tenant shall have the right to make all necessary repairs and/or Alterations without Landlord's consent which are reasonably required to abate the emergency. Notwithstanding the foregoing or anything to the contrary contained elsewhere in this Lease, Tenant shall not install any fencing on the Leased Premises that is not part of Alterations approved by Landlord without Landlord's prior consent, which consent shall not be unreasonably withheld, conditioned or delayed.

Section 9.04 Work Requirements.

A. All work performed by Tenant in the Leased Premises, including without limitation Tenant's Work, shall be performed: (i) promptly, in a good and workmanlike manner with new, recycled or salvaged first-class materials and once commenced, diligently pursued to completion; (ii) by duly qualified or licensed Persons; and (iii) in accordance with (a) plans and specifications approved in writing in advance by Landlord (as to both design and materials) which approval may not be unreasonably withheld, conditioned or delayed, and (b) all Laws. Upon completion of any Alteration, Tenant shall deliver to Landlord a reproducible copy of the "as built" drawings of the work performed with respect thereto as well as copies of all permits, approvals and other documents issued by any governmental agency in connection with such work.

B. No Alteration which requires Landlord's consent shall be made until all plans and specifications (or, where applicable [e.g., demolition], all scope) for any such Alteration have been approved or deemed approved by Landlord as hereinafter provided, such approval not to be unreasonably withheld, conditioned or delayed. Landlord shall have fifteen (15) Business Days from its receipt of all such plans and specifications (or revisions) to review and advise Tenant of its approval or of any changes Landlord requires to be made. Within ten (10) Business Days after receipt of Landlord's notice of changes (if any), Tenant shall cause all such changes to be made, and Tenant shall resubmit the revised plans and specifications for Landlord's review. The revisions and resubmission shall continue until Landlord shall have approved, or shall be deemed to have approved, Tenant's plans and specifications. In the event that Landlord has not responded to Tenant within such fifteen (15) Business Day period, then Tenant shall have the right to deliver a notice to Landlord containing the following language in bold font and capital letters: **THIS NOTICE IS DELIVERED PURSUANT TO SECTION 9.04 OF YOUR LEASE FOR LEASED PREMISES AT THE PAUL PUBLIC CHARTER SCHOOL LOCATED AT 5901 9TH STREET NW. IF YOU FAIL TO APPROVE OR DISAPPROVE OR SEND COMMENTS TO THOSE CERTAIN PLANS AND SPECIFICATIONS DELIVERED TO YOU ON _____ FOR WORK TO BE PERFORMED AT THE PAUL PUBLIC CHARTER SCHOOL LOCATED AT 5901 9TH STREET NW WITHIN FIVE (5) BUSINESS DAYS OF LANDLORD'S RECEIPT OF THIS NOTICE, LANDLORD WILL BE DEEMED TO HAVE APPROVED SUCH PLANS AND SPECIFICATIONS.** If Landlord fails to respond within five (5) Business Days after receipt of such notice from Tenant, then Landlord shall be deemed to have approved such plans and specifications for Tenant's Work. Landlord's approval of the final plans and specifications shall be evidenced by Landlord and Tenant initialing two (2) complete sets of final plans and specifications (the "**Plans**"), whereupon one fully executed set shall be left with the Landlord.

C. The approval by Landlord of the Plans, if given, shall not (i) imply Landlord's endorsement of the structural or engineering designs as to quality or fitness of any material or device used; (ii) imply that the plans and specifications are in accordance with the Law (it being agreed that such compliance is solely Tenant's responsibility); (iii) relieve Tenant of the responsibility to construct structurally sound improvements which are free of defects; (iv)

impose any liability on Landlord to Tenant or any third party; or (v) serve as a waiver or forfeiture of any right of Landlord.

Section 9.05 Ownership of Improvements.

All present and future alterations, additions, renovations, improvements and installations made to the Leased Premises (“**Leasehold Improvements**”) shall be deemed to be the property of Tenant when made and, upon Tenant’s vacation or abandonment of the Leased Premises to be the property of Landlord, and shall remain upon and be surrendered with the Leased Premises in good order, condition and repair. All movable goods, inventory, office furniture, equipment, trade fixtures (including, without limitation, exterior Signs, white boards, and curtains) and any other movable personal property belonging to Tenant that are not permanently affixed to the Leased Premises shall remain Tenant’s property (“**Tenant’s Property**”) and shall be removable by Tenant at any time, provided that Tenant shall repair any damage to the Leased Premises caused by the removal of any of Tenant’s Property.

Section 9.06 Removal of Tenant’s Property.

Tenant shall remove all of Tenant’s Property prior to the Termination Date or the termination of Tenant’s right to possession, whichever occurs first. Tenant shall repair any damage to the Leased Premises caused by such removal. If Tenant fails to timely remove said items, they shall be considered as abandoned and shall become the property of Landlord, or Landlord may have them removed and disposed of at the Tenant’s cost and expense, which cost and expense shall not be commercially unreasonable.

Section 9.07 Mechanic’s Liens.

A. No mechanic’s or other lien (except for the leasehold mortgage lien of any Approved Mortgagee) shall be allowed against the Leased Premises as a result of Tenant’s improvements or other work done by or on behalf of Tenant at or to the Leased Premises.

B. Tenant shall promptly pay all persons furnishing labor, materials or services with respect to any work performed by Tenant on the Leased Premises. If any mechanic’s or other lien shall be filed against the Leased Premises by reason of work, labor, services or materials performed or furnished, or alleged to have been performed or furnished, to or for the benefit of Tenant, Tenant shall cause the same to be discharged of record or bonded to the satisfaction of Landlord within thirty (30) days subsequent to the filing and service thereof. If Tenant fails to discharge or bond any such lien, Landlord, in addition to all other rights or remedies provided in this Lease, may bond said lien or claim (or pay off said lien or claim if it cannot with reasonable effort be bonded) without inquiring into the validity thereof, and all expenses incurred by Landlord in so discharging said lien, including reasonable attorneys’ fees, shall be paid by Tenant to Landlord as Additional Rent on ten (10) days’ demand, which demand shall be accompanied by reasonably detailed invoices evidencing the amounts so paid by Landlord and all costs and expenses, including reasonable attorneys’ fees, incurred by Landlord in connection therewith.

ARTICLE X.

REPAIRS, MAINTENANCE, AND LANDLORD’S ACCESS

Section 10.01 Repairs by Landlord.

Notwithstanding any other provisions of this Lease, in no event shall Landlord be responsible for any construction, maintenance or repair of the Leased Premises, including the Building, the Leasehold Improvements and/ or any of Tenant’s Property.

Section 10.02 Repairs and Maintenance by Tenant.

A. Throughout the Term, Tenant shall maintain the Leased Premises including the Building, any and all Leasehold Improvements, and all of Tenant’s Property in good order, condition and repair and in compliance with all Laws. Tenant shall not cause or permit any waste, damage or injury to the Leased Premises. Furthermore, Tenant shall also initiate and carry out a program of regular maintenance and repair of the Leased Premises so as to keep the same in an attractive and first-class condition similar to other Charter Schools in the

District of Columbia throughout the Term. Furthermore, Tenant shall remodel or refurbish the Building as reasonably necessary to maintain the same in first class and attractive condition in accordance with plans approved by Landlord, such approval not to be unreasonably withheld, conditioned or delayed.

B. Tenant shall install and maintain such fire extinguishers and other fire protection devices in any Building as may be required by any agency having jurisdiction over, or by the underwriters issuing insurance for, the Leased Premises. Tenant agrees to routine inspections of fire protection devices by contractors reasonably acceptable to Landlord. If any governmental authority with jurisdiction over the Leased Premises requires the installation, modification, or alteration of the sprinkler system, or other equipment, then Tenant, at Tenant's sole cost and expense, shall promptly install such sprinkler system or changes therein.

C. Tenant shall keep the sidewalks adjoining the Leased Premises free from ice and snow and shall not permit the accumulation of garbage, trash or other waste in or around the Leased Premises except garbage, trash or other waste stored in suitable containers for pick up by trash collectors.

Section 10.03 Inspections, Access and Emergency Repairs by Landlord.

Upon reasonable prior notice and without materially adversely affecting Tenant's business within the Leased Premises, Tenant shall permit Landlord or its designee to enter all parts of the Leased Premises to inspect the same. In the event of an emergency, Landlord may enter the Leased Premises at any time and make such inspection and repairs as Landlord deems necessary, at the risk and for the account of Tenant.

ARTICLE XI.

CASUALTY

Section 11.01 Fire or Other Casualty.

Tenant shall give prompt notice to Landlord in case of fire or other casualty ("Casualty") to all or any part of the Leased Premises.

Section 11.02 Right to Terminate.

A. If the Building and/or Lease Improvements shall be damaged to the extent of more than twenty-five percent (25%) of the cost of replacement thereof during the last two (2) Lease Years or in any Partial Lease Year at the end of the Term and Tenant has not exercised its Option, then, in such event, Tenant or Landlord may terminate this Lease by notice (the "Termination Notice") to the other party prior to the sixtieth (60th) day after the later to occur of (i) the date when the damage occurred or (ii) the date when the cost of replacement is determined as hereinafter provided. If Tenant or Landlord so terminates this Lease, then the Termination Date shall be the date set forth in the Termination Notice, which date shall not be less than thirty (30) days nor more than ninety (90) days after the giving of the Termination Notice. The "cost of replacement" shall be determined by the company or companies insuring against the Casualty in question, or if there shall be no such determination, by a person reasonably selected by Landlord who is qualified to determine such cost of replacement.

B. Further, in the event Tenant has failed to or elects not to restore the Leased Premises as set forth in Section 11.03 below, Landlord may terminate this Lease at any time upon thirty (30) days' prior written notice to Tenant.

C. If Tenant fails to commence the repairs, restoration and rebuilding of the damaged Building and/or Lease Improvements within nine (9) full calendar months from the date of such Casualty, and once commenced, diligently pursue the repairs, restoration and rebuilding required under Section 11.03 below (the "Restoration"), Landlord shall have the option, in Landlord's sole and absolute discretion, to terminate this Lease by written notice to Tenant. Notwithstanding the foregoing, so long as Tenant is diligently pursuing obtaining architectural plans and drawings necessary to pursue the Restoration and obtaining a building permit to perform the Restoration, Landlord shall not be entitled to so terminate this Lease.

Section 11.03 Tenant's Duty to Reconstruct.

A. Provided this Lease is not terminated as provided in Section 11.02 hereof, Tenant shall promptly commence and diligently pursue to completion (i) the repair of the Leased Premises including the Building and all Leasehold Improvements to substantially the same condition as existed prior to the Casualty, and (ii) the redecorating and re-fixturing of the Building to a substantially similar condition as existed prior to the Casualty. Tenant shall reopen for business in the Building as soon as practicable after the occurrence of the Casualty. Subject to reasonable delay for the completion of architectural plans and drawings and obtaining a building permit based thereon, the Restoration shall be commenced within nine (9) months from the date of Casualty and once commenced diligently pursued to Completion. Tenant shall use reasonable efforts to pursue its insurance claims with its insurance carrier, and Complete the restoration work within a commercially reasonable time, free and clear of all liens and encumbrances except for any Leasehold Mortgage.

B. Notwithstanding the foregoing, in the event that the Building and all Leasehold Improvements shall be damaged to the extent of more than fifty percent (50%) of the cost of replacement thereof at any time after the tenth (10th) Lease Year, Tenant shall not be obligated to rebuild and/or restore the Building, and in such event, Tenant may terminate this Lease by written notice to Landlord ("**Tenant's Notice**") prior to the sixtieth (60th) day after the later to occur of (i) the date when the damage occurred or (ii) the date when the cost of replacement is determined as hereinafter provided. If Tenant so terminates this Lease, then the Termination Date shall be the date set forth in Tenant's Notice, which date shall not be less than thirty (30) days nor more than ninety (90) days after the giving of Tenant's Notice. In no event, however, shall the Lease terminate in the event of a Casualty nor shall Tenant be released of its rental or other monetary obligations under the Lease unless the Lease is terminated pursuant to the provisions of this Section 11.03 or Section 11.02 above. If Tenant elects not to restore the Building and all Leasehold Improvements to its prior condition pursuant to the provisions of this Section 11.03, Tenant shall proceed within sixty (60) days after later to occur of (i) the date when the damage occurred or (ii) the date when the cost of replacement is determined, to remove all debris and grade, seed where appropriate and restore the site to a clean and presentable condition.

C. In the event Landlord or Tenant elects to terminate this Lease in accordance with the provisions of Section 11.02 hereof or this Section 11.03, then all insurance proceeds shall be payable as follows: (i) to Landlord, an amount sufficient to pay all actual reasonable costs to secure the Building and the Leased Premises, to clear the Leased Premises of partially damaged or destroyed improvements and debris, and for cleaning and restoration of the surface of the affected portion of the Leased Premises, (ii) to the holder of any Leasehold Mortgage, an amount sufficient to pay all amounts owed by Tenant to such holder, and (iii) the balance thereof to Landlord.

D. If the Building and/or Leasehold Improvements are damaged by Casualty and the Lease is not terminated as provided in this Article XI, then, in such event, Tenant shall be entitled to retain all of the insurance proceeds received by Tenant under the policy covering the Building and all Leasehold Improvements carried by Tenant under Section 8.03.B, subject however, to the rights of any Approved Mortgagee under any Leasehold Mortgage to receive and monitor the application of the insurance proceeds for the Restoration of the Building and all Leasehold Improvements.

ARTICLE XII.

CONDEMNATION

Section 12.01 Separate Award.

A. If any condemnation or eminent domain proceedings shall be commenced by any competent public authority against the Leased Premises, Landlord shall promptly give Tenant and any Approved Mortgagee written notice thereof. In the event of any condemnation of any interest in the Leased Premises, then the court in such condemnation proceedings shall, if not prohibited by law, be requested to make separate awards to Landlord and Tenant, so that: (i) Landlord receives the award for its fee simple interest in and to the Leased Premises and Landlord's interest in this Lease (including, without limitation, the reversionary interest in the

Leasehold Improvements), subject to the leasehold estate of Tenant therein; and (ii) Tenant receives the award for the leasehold estate and its ownership in fee simple of the Leasehold Improvements on the Leased Premises (subject to the reversionary interest of Landlord upon the expiration of the Term). Landlord and Tenant hereby agree to request such action by the court. To the extent permitted by law, this Section 12.01.A shall be construed as superseding any statutory provisions now in force or hereafter enacted concerning condemnation proceedings.

B. If such court is prohibited by law from making separate awards to Landlord and Tenant, or declines to do so, then the award in such condemnation proceedings shall be divided between Landlord and Tenant so that each receives the amount it would have received if separate awards had been made pursuant to Section 12.01.A.

Section 12.02 Total Condemnation.

A. If all of the Leased Premises is condemned pursuant to a condemnation, or so much thereof that the remainder is unsuitable, in Tenant's reasonable opinion, for use by Tenant for Tenant's Permitted Use, or if any portion of the Leased Premises is condemned pursuant to a condemnation at a time when the remaining Lease Term is so limited as, in Tenant's reasonable opinion, to render restoration or repair of the remainder uneconomical or unfeasible, then, upon Tenant's notice to Landlord given within one hundred eighty (180) calendar days after any such condemnation, this Lease shall terminate. Upon such termination, the parties shall be released from any further liability or obligation under this Lease, except as otherwise provided in this Lease.

B. Any such termination of this Lease pursuant to this Section 12.02 shall not prejudice the rights of Landlord and Tenant with respect to the awards for such taking as provided in Section 12.01.

C. In the event that Tenant does not elect to terminate this Lease pursuant to Section 12.02 within one hundred eighty (180) calendar days after any such condemnation, then the remainder of the Leased Premises shall be deemed suitable for use by Tenant for Tenant's uses and purposes and Tenant shall be deemed to have waived any right to terminate this Lease pursuant to this Section 12.02 as a result of such taking.

Section 12.03 Partial Condemnation.

If only a part of the Leased Premises is condemned pursuant to a condemnation or if the remainder is, in Tenant's reasonable opinion, suitable for use by Tenant for Tenant's uses and purposes, this Lease shall remain in full force and effect as to that portion of the Leased Premises not taken, but the Rent shall be reduced during the unexpired portion of the Lease Term to such amount as may be fair and equitable under the circumstances, giving due consideration to the amount of Rent formerly payable hereunder, the portion of the Leased Premises taken, and the value and utility of the remainder of the Leased Premises. If the parties cannot agree on a method of determining such reduced Rent, the procedure set forth in Addendum II to this Lease for determining Fair Market Rent during the Option Term shall be used.

Section 12.04 Tenant's Restoration.

If the Leasehold Improvements are affected by condemnation and this Lease is not terminated as a result thereof, Tenant shall repair or restore the remainder of the Leasehold Improvements to a functional unit to the extent physically and economically practical and feasible under the circumstances with reasonable speed at the expense of Tenant, subject to events of Force Majeure and availability of sufficient funds.

Section 12.05 Landlord's Termination Option.

In the event of any condemnation, if Tenant has not commenced restoration within one hundred eighty (180) calendar days after the date of the judgment, decree or other vesting event regarding the condemnation (subject to extension for Force Majeure), Landlord shall have the option to terminate this Lease upon Landlord's written notice to Tenant given within sixty (60) calendar days after the expiration of the one hundred eighty (180) calendar day period after the date of the judgment, decree or other vesting event regarding such condemnation (as extended for Force Majeure).

Section 12.06**Rights of Approved Mortgagee.**

Landlord and Tenant further agree and acknowledge that any right of Landlord in and to condemnation proceeds applicable to the leasehold estate (but not the fee simple estate in the Leased Premises or Landlord's interest under this Lease) shall be and remain subordinate and inferior to the interests in such proceeds held by any Approved Mortgagee. Under no circumstances whatsoever shall Landlord maintain that it has any right or claim of any kind or nature in and to any condemnation proceeds applicable to the leasehold estate (but not the fee simple estate in the Leased Premises and Landlord's interest under this Lease) of equal priority or superior to the interest in such proceeds held by any Approved Mortgagee. If there is an Approved Mortgagee, such Approved Mortgagee shall, to the extent permitted by law, be made a party to any condemnation proceeding, if it so desires to be made a party.

ARTICLE XIII.**INTENTIONALLY DELETED****ARTICLE XIV.****SUBORDINATION AND ATTORNMENT****Section 14.01 Subordination.**

A. Tenant's rights under this Lease are subordinate to: (i) all existing and future ground or underlying leases affecting all or any part of the Leased Premises as of the date of this Lease; and (ii) any easement, license, mortgage, deed of trust or other security instrument affecting the Leased Premises as of the date of this Lease (those documents referred to in (i) and (ii) above being collectively referred to as a "**Mortgage**" and the Person or Persons having the benefit of same being collectively referred to as a "**Mortgagee**"). Tenant's subordination provided in this Section 14.01 is self-operative and no further instrument of subordination shall be required. Notwithstanding the foregoing, Tenant shall, within five (5) days of request by Landlord, execute such further instruments or assurances as Landlord may reasonably deem necessary to evidence or confirm the subordination of this Lease to any Mortgage. In addition, any Mortgagee may, at its option, unilaterally subordinate its Mortgage to this Lease. Notwithstanding anything to the contrary contained herein, Landlord hereby represents that as of the date of this Lease there is no existing ground or underlying lease, mortgage or deed of trust affecting all or any part of the Leased Premises. Furthermore, Tenant agrees that the Lease shall be subordinate to any future ground lease, mortgage or deed of trust placed against the Leased Premises, and that it will attorn to the future ground lessor or mortgagee, upon termination of the ground lease or foreclosure of the mortgage or deed of trust respectively only, provided that the foregoing agreement of the Tenant to subordinate is expressly subject to such ground lessor or mortgagee agreeing to honor and abide by the terms of the Lease and give Tenant a non-disturbance agreement providing in effect that Tenant's right to use and occupy the Leased Premises will not be diminished as a result of such termination or foreclosure so long as Tenant shall not be in default under the Lease.

Section 14.02 Attornment.

Subject to the provisions of Section 14.01 above, if any Person succeeds to all or part of Landlord's interest in the Leased Premises, whether by purchase, foreclosure, deed in lieu of foreclosure, power of sale, termination of lease or otherwise (such Person herein referred to as, "**Successor Landlord**"), on written request by Successor Landlord, Tenant shall, without charge, attorn to such Successor Landlord and this Lease shall continue in accordance with its terms as a lease between Successor Landlord and Tenant.

Section 14.03 Estoppel Certificate.

Each of Landlord and Tenant, within twenty (20) days after receiving notice from, and without charge or cost to, the other, shall certify by written instrument to the other or any other Person designated by Landlord or Tenant: (i) that this Lease is in full force and effect and unmodified (or if modified, stating the modification); (ii) the dates, if any, to which each component of the Rent due under this Lease has been paid; (iii) whether Landlord or Tenant has

failed to perform any covenant, term or condition under this Lease, and the nature of Landlord's or Tenant's failure, if any; and (iv) such other relevant information as Landlord or Tenant may request.

Section 14.04 Quiet Enjoyment.

Landlord covenants that it has full right, power and authority to enter into this Lease and agrees that Tenant, upon performing all of Tenant's obligations under this Lease and timely paying all Rent, shall peaceably and quietly have, hold, occupy, use and enjoy, and shall have the full, exclusive and unrestricted use and enjoyment of, the Leased Premises during the entire Term without hindrance, ejection or molestation by any Person lawfully claiming by, through or under Landlord, subject, however, to all encumbrances, easements, and matters of record to which this Lease is subject as of the Commencement Date.

ARTICLE XV.

ASSIGNMENT AND SUBLETTING

Section 15.01 Landlord's Consent Required.

A. Except as otherwise provided herein and in Addendum III of this Lease, Tenant and any permitted Transferee shall not voluntarily or involuntarily, by operation of law or otherwise: (i) transfer, assign, mortgage, encumber, pledge, hypothecate, or assign all or any of its interest in this Lease, or (ii) sublet or permit the Leased Premises, or any part thereof, to be used by others including licensees, or (iii) issue new stock (or partnership shares or membership interests), create additional classes of stock (or partnership shares or membership interests), or sell, assign, hypothecate or otherwise transfer the outstanding voting stock (or partnership shares or membership interests) so as to result in a change in the present control of Tenant or any permitted Transferee, provided, however, that this subparagraph (iii) shall not be applicable to Tenant if it is a publicly owned corporation whose outstanding voting stock is listed on a national securities exchange (as defined in the Securities Exchange Act of 1934, as amended) or is traded actively in the over-the-counter market, or (iv) sell, assign or otherwise transfer all or substantially all of Tenant's or any permitted Transferee's assets; without the prior consent of Landlord, in each instance, which consent Landlord may withhold in its sole and absolute discretion. All of the foregoing transactions shall be referred to collectively or singularly as a "Transfer", and the Person to whom Tenant's interest is transferred shall be referred to as a "Transferee."

B. Any Transfer without Landlord's consent shall not be binding upon Landlord, and shall confer no rights upon any third Person. Each such unpermitted Transfer shall constitute a Default by Tenant under this Lease, subject to the provisions of Article XVI. The acceptance by Landlord of the payment of Rent following any Transfer prohibited by this Article XV shall not be deemed to be a consent by Landlord to any such Transfer, an acceptance of the Transferee as a tenant, a release of Tenant from the performance of any covenants herein contained, or a waiver by Landlord of any remedy of Landlord under this Lease, although amounts actually received shall be credited by Landlord against Tenant's Rent obligations. Consent by Landlord to any one Transfer shall not constitute a waiver of the requirement for consent to any other Transfer. No reference in this Lease to assignees, subtenants or licensees shall be deemed to be consent by Landlord to the occupancy of the Leased Premises by any such assignee, subtenant or licensee.

C. Landlord's consent to any Transfer shall not operate as a waiver of, or release of Tenant from, Tenant's covenants and obligations hereunder, nor shall the collection or acceptance of Rent or other performance from any Transferee have such effect, except to the extent specifically agreed to in writing by the parties. Rather, Tenant shall remain fully and primarily liable and obligated under this Lease for the entire Term in the event of any Transfer, and in the event of a Default by the Transferee, Landlord shall be free to pursue Tenant, the Transferee, or both, without prior notice or demand to either, except to the extent otherwise specifically agreed to in writing by the parties.

D. Notwithstanding anything to the contrary contained herein, provided Tenant shall not be in Default under the Lease, Tenant may, upon Landlord's prior written consent, which consent shall not be unreasonably withheld, delayed or conditioned, Transfer the

Lease to: (i) a District of Columbia Public School; (ii) a Charter School; (iii) any other Person that will use the Leased Premises for pre-school, secondary or post-secondary educational purposes or as otherwise permitted under the Lease; (iv) an Affiliate of Tenant; (v) a successor entity to Tenant resulting from merger, consolidation, non-bankruptcy reorganization, or government action; or (vi) a purchaser of all or substantially all of Tenant's and all of its Affiliates' ownership interests or assets. Notwithstanding the foregoing, in no event shall Landlord's consent be required in connection with any Transfer to an Approved Mortgagee. Notwithstanding the foregoing, or anything to the contrary contained elsewhere in this Lease, Tenant shall not sell or convey its capital stock or other equity interest in a manner intended to circumvent Landlord's rights pursuant to this Section 15.01 (e.g. a step transaction in which this Lease is assigned to a wholly owned subsidiary whose only asset is this Lease, followed by a sale of such subsidiary's stock to a third party).

E. Notwithstanding anything to the contrary contained herein, Tenant may sublease up to twenty-five percent (25%) of the Floor Area of any buildings now or hereafter part of the Leased Premises, without the Landlord's approval, provided that (i) Tenant is not in monetary Default or material non-monetary Default of the Lease, (ii) the sublease is subordinate to the Lease, (iii) the use of the sublet space is consistent with the Permitted Use, and (iv) at least thirty (30) days prior to the effective date of such sublease, District shall receive notice of the sublease terms along with the name of the subtenant, a copy of the sublease and the use of the subleased space.

F. Notwithstanding the foregoing, the following conditions shall apply to any proposed Transfer:

(i) Each and every covenant, condition, or obligation imposed upon Tenant by this Lease and each and every right, remedy, or benefit afforded Landlord by this Lease shall not be impaired or diminished as a result of such Transfer; and

(ii) Tenant may deduct the following reasonable out-of-pocket costs and expenses from any sublet rent: (1) the Rent due under this Lease (after application of any Rent Credit) paid annually to Landlord and allocable to the sublet portion of the Leased Premises; (2) the reasonable out of pocket costs of any Alterations constituting capital improvements under generally accepted accounting principles made to the sublet portion of the Leased Premises at the Tenant's cost prior to such subletting, or at any time thereafter, amortized over the term of the sublease; (3) annual operating expenses and real property taxes (to the extent applicable); (4) the reasonable and out-of-pocket costs incurred by Tenant for any real estate commissions, advertising, financing fees, legal expenses or other costs incurred by the Tenant in connection with such subletting, amortized by Tenant over the term of the sublease and as reasonably demonstrated to Landlord with copies of paid invoices supporting said expenses and costs; (5) debt service payments to the extent (e.g., interest, loan fees, etc.) not otherwise encompassed by other deductions identified in this subparagraph 15.01.G.(ii); (6) reasonable and out-of-pocket costs incurred by Tenant for overhead and administration as reasonably demonstrated to Landlord with copies of paid invoices supporting said expenses and costs; and (7) any other out-of-pocket economic concessions granted or paid to any such subtenant by the Tenant, amortized by Tenant over the term of the sublease; and

(iii) Tenant shall, after the above deductions, remit forty percent (40%) of the remaining sublet rent to Landlord annually on the anniversary of the Rent Commencement Date; and

(iv) In the event Tenant has an operating loss in any Lease Year, Tenant shall not remit any sublet rent to Landlord and shall carry the operating loss forward and deduct it from sublet rent in a Lease Year when there is no operating loss before remitting any sublet rent to Landlord. Tenant may accumulate and carry forward annual operating losses from Lease Year to Lease Year for purposes of deducting all of such losses against sublet rent in a Lease Year in which there is no operating loss; and

(v) Tenant to which the Leased Premises were initially leased shall continue to remain liable under this Lease for the performance of all terms, including, but not limited to, payment of Rent due under this Lease, except to the extent otherwise agreed to in writing by the parties;

(vi) Transferee with respect to any assignment of the Lease must expressly assume in a written instrument delivered and reasonably acceptable to Landlord all the obligations of Tenant under the Lease and with respect to any sublease, the terms of the such sublease shall be subordinate to the terms and provisions of this Lease;

(vii) At least thirty (30) days prior to the effective date of such proposed Transfer, or such shorter period of time as reasonably agreed upon by the parties, Landlord shall receive the following information in connection with such Transfer: the name of the proposed Transferee, a copy of the financial statement of the proposed Transferee and any guarantor, a copy of the proposed Transfer document or agreement and information regarding the proposed Transferee's business history and experience; and

(viii) Landlord shall approve or disapprove of such proposed Transfer within ten (10) Business Days following receipt of Tenant's written notice of its intent to Transfer the Lease together with the required information set forth above. If Landlord has not in writing approved or disapproved the proposed Transfer within such ten (10) day period, then Tenant shall have the right to deliver a notice to Landlord containing the following language in bold font and capital letters: **THIS NOTICE IS DELIVERED PURSUANT TO SECTION 15.01 OF YOUR LEASE FOR LEASED PREMISES AT PAUL PUBLIC CHARTER SCHOOL LOCATED AT 5901 9TH STREET NW. IF YOU FAIL TO APPROVE OR DISAPPROVE TENANT'S REQUEST TO TRANSFER THE LEASE DELIVERED TO YOU ON _____ WITHIN FIVE (5) BUSINESS DAYS OF LANDLORD'S RECEIPT OF THIS NOTICE, LANDLORD WILL BE DEEMED TO HAVE APPROVED SUCH TRANSFER.** If Landlord fails to respond within five (5) Business Days after receipt of such notice from Tenant, then Landlord shall be deemed to have approved such Transfer.

G. Each Charter School tenant, subtenant or assignee must maintain a valid charter to operate a public charter school. Tenant's or any applicable permitted subtenant's or assignee's loss of its charter shall constitute a Default under this Lease. Any sublease to an approved public charter school subtenant must provide that loss of the subtenant's charter shall constitute a default as to such sublease.

ARTICLE XVI.

DEFAULT AND REMEDIES

Section 16.01 Tenant Default.

A. Each of the following events shall constitute a default ("Default") by Tenant under this Lease: (i) if Tenant fails to pay any Rent (or any installment thereof) within ten (10) Business Days after the same shall be due and payable and such failure continues for a period of ten (10) Business Days after written notice from Landlord; (ii) if Tenant breaches or fails to observe or perform any term, condition or covenant of this Lease (other than those involving the payment of Rent or failure to continuously occupy and operate the Leased Premises or for any of the events set forth in subparagraphs (iv), (v) or (vi), and such breach or failure is not cured within thirty (30) days after Tenant's receipt of notice thereof, unless such condition cannot reasonably be cured within such thirty (30) days, in which case Tenant must commence such cure within said thirty (30) days and diligently pursue said cure to its completion (provided, however, if such breach or failure creates a hazard, public nuisance or dangerous situation, said thirty (30) day grace period shall be reduced to forty-eight (48) hours after Tenant's receipt of notice); (iii) if Tenant vacates, abandons or ceases to continuously operate the Leased Premises as required; (iv) if Tenant fails to carry and maintain the insurance required by this Lease; (v) if Tenant shall fail to observe or perform according to the provisions of Article XIV of this Lease, and such failure is not cured within five (5) Business Days after Tenant's receipt of notice thereof; (vi) the failure of any Charter School tenant, subtenant or assignee to have a valid current charter to operate a Charter School in accordance with all Laws; or (viii) any material representation or warranty of Tenant made in this Lease shall fail to be correct in any material respect on the date made and Landlord shall suffer materially adverse actual damages as a direct result of such failure.

Section 16.02 Remedies and Damages.

A. Upon the occurrence of any Default described in Section 16.01, Landlord, without any notice or demand whatsoever, shall have all the rights and remedies provided in this Section 16.02, in addition to all other rights and remedies available under this Lease or provided at law or in equity.

B. Upon the occurrence of any Default described in Section 16.01, Landlord may, upon notice to Tenant, terminate this Lease, or terminate Tenant's right to possession of the Leased Premises without terminating this Lease (as Landlord may elect). If the Lease or Tenant's right to possession under this Lease are at any time terminated under this Section, or otherwise, Tenant shall immediately surrender and deliver the Leased Premises peaceably to Landlord. If Tenant fails to do so, Landlord shall be entitled to re-enter in accordance with all applicable Laws, without process and without notice (any notice to quit or of re-entry being hereby expressly waived), using such force as may be reasonably necessary; and, alternatively, shall be entitled to the benefit of all provisions of law respecting the speedy recovery of possession of the Leased Premises (whether by summary proceedings or otherwise) any notice to quit or of re-entry being expressly waived.

C. Upon the occurrence of any Default described in this Section, Landlord may, after five (5) Business Days' notice to Tenant, also perform, on behalf and at the expense of Tenant, any obligation of Tenant under this Lease which Tenant fails to perform, the cost of which (together with an administrative fee equal to ten percent (10%) of such cost to cover Landlord's overhead in connection therewith) shall be paid by Tenant to Landlord upon demand. In performing any obligations of Tenant, Landlord shall incur no liability for any loss or damage that may accrue to Tenant, the Leased Premises or Tenant's Property by reason thereof, except if caused by Landlord's willful, wanton and malicious act. The performance by Landlord of any such obligation shall not constitute a release or waiver of any of Tenant's obligations under this Lease.

D. Upon termination of this Lease or of Tenant's right to possession under this Lease, Landlord may at any time and from time to time re-let all or any part of the Leased Premises for the account of Tenant or otherwise, at such rentals and upon such terms and conditions as Landlord shall deem appropriate. In the event that Landlord shall re-let the Leased Premises, then rentals received by Landlord from such re-letting shall be applied: first, to the payment of such reasonable expenses as Landlord may incur in recovering possession of the Leased Premises, including reasonable legal expenses and attorneys' fees, in placing the Leased Premises in good order and condition and in preparing or altering the same for re-rental; second, to the payment of such reasonable expenses, commissions and charges as may be incurred by or on behalf of Landlord in connection with the re-letting of the Leased Premises; and third, to the fulfillment of the covenants of Tenant under the Lease, including the various covenants to pay Rent. Any re-letting by Landlord shall not be construed as an election by Landlord to terminate this Lease unless notice of such intention is given by Landlord to Tenant. Notwithstanding any re-letting without termination of this Lease, Landlord may at any time thereafter elect to terminate this Lease. In any event, Landlord shall not be liable for, nor shall Tenant's obligations hereunder be diminished by reason of, any failure by Landlord to re-let the Leased Premises or any failure by Landlord to collect any sums due upon such re-letting.

E. If this Lease, or Tenant's right to possession of the Leased Premises, is terminated by Landlord pursuant to the provisions of this Section, Tenant nevertheless shall remain liable to Landlord for (a) any Rent, damages or other sums which may be due or sustained prior to such termination, (b) all reasonable costs, fees and expenses (including attorneys' fees, brokerage commissions, advertising costs, and expenses incurred in placing the Leased Premises in first-class rentable condition) incurred by Landlord in pursuit of its remedies hereunder and in renting the Leased Premises to others from time to time; and (c) an amount equal to the Rent (net of any Rent Credit) which would have become due from the date of such termination through the expiration of the Term (or what would have been the expiration of the Term but for any termination thereof), less the net avails of re-letting, if any, which Landlord receives during such period from others to whom the Leased Premises may be rented, which net amount shall be due and payable by Tenant to Landlord on the dates such Rent and other sums above specified are due under the Lease. Any suit or action brought to collect any such damages for any month shall not in any manner prejudice the right of Landlord to collect any damages for any subsequent month by a similar proceeding.

F. Tenant shall not be entitled to any Rent Credit on any day during which a monetary or a material non-monetary Default by Tenant exists under the Lease; provided, however, upon termination of this Lease or of Tenant's right to possession, in calculating any Rent, damages or other sums which may be due to Landlord under Section 16.02.E, Tenant shall have the benefit of any available Rent Credit from and after the date of such termination.

Section 16.03 Intentionally Deleted.

Section 16.04 Limitation on Right of Recovery Against Landlord or Tenant.

No director, officer, employee, representative or agent of Landlord or Tenant shall be personally liable in respect of any covenant, condition or provision of this Lease nor shall Landlord be liable to Tenant for any consequential damages, indirect losses, loss of value, temporary loss of business, lost profits, or lost opportunity damages at or arising from the Leased Premises suffered by Tenant. If Landlord breaches or defaults in any of its obligations in this Lease, Tenant shall look solely to the equity of Landlord in the Leased Premises for satisfaction of Tenant's remedies. If Tenant breaches or defaults in any of its obligations in this Lease, Landlord shall look solely to the assets of Tenant for satisfaction of Landlord's remedies.

Section 16.05 Remedies Cumulative.

No reference to any specific right or remedy in this Lease shall preclude Landlord from exercising any other right, from having any other remedy, or from maintaining any action to which it may otherwise be entitled under this Lease, at law or in equity.

Section 16.06 Waiver.

A. Neither Landlord nor Tenant shall be deemed to have waived any provision of this Lease, or the breach of any such provision, unless specifically waived by each such party in a writing executed by an authorized officer of such party. No waiver of a breach shall be deemed to be a waiver of any subsequent breach of the same provision, or of the provision itself, or of any other provision.

B. Tenant hereby expressly waives any and all rights of redemption and any and all rights to relief from forfeiture which would otherwise be granted or available to Tenant.

C. IN ANY ACTION OR PROCEEDING ARISING HEREFROM, LANDLORD AND TENANT HEREBY CONSENT TO (I) THE JURISDICTION OF ANY COMPETENT COURT WITHIN THE DISTRICT OF COLUMBIA, (II) SERVICE OF PROCESS BY ANY MEANS AUTHORIZED BY DISTRICT OF COLUMBIA LAW, AND (III) IN THE INTEREST OF SAVING TIME AND EXPENSE, TRIAL WITHOUT A JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER OF THE PARTIES HERETO AGAINST THE OTHER OR THEIR SUCCESSORS IN RESPECT OF ANY MATTER ARISING OUT OF OR IN CONNECTION WITH THIS LEASE, THE RELATIONSHIP OF LANDLORD AND TENANT, TENANT'S USE OR OCCUPANCY OF THE LEASED PREMISES, AND/OR ANY CLAIM FOR INJURY OR DAMAGE. IN THE EVENT LANDLORD COMMENCES ANY SUMMARY PROCEEDINGS OR ACTION FOR NONPAYMENT OF RENT, TENANT SHALL NOT INTERPOSE ANY COUNTERCLAIM OF ANY NATURE OR DESCRIPTION (UNLESS SUCH COUNTERCLAIM SHALL BE MANDATORY) IN ANY SUCH PROCEEDING OR ACTION, BUT SHALL BE RELEGATED TO AN INDEPENDENT ACTION AT LAW.

ARTICLE XVII.

MISCELLANEOUS PROVISIONS

Section 17.01 Notices.

A. Whenever any demand, request, approval, consent or notice (singularly and collectively, "Notice") shall or may be given by one party to the other, such Notice shall be in writing and addressed to the parties at their respective addresses as set forth in Section 1.01 and served by (i) hand; (ii) a nationally recognized overnight express courier; or (iii) registered or certified mail return receipt requested. The date the Notice is received shall be the date of

service of Notice. If an addressee refuses to accept delivery, however, then such Notice shall be deemed to have been served on either (i) the date hand delivery is refused, (ii) the next business day after the Notice was sent in the case of attempted delivery by overnight courier, or (iii) five (5) business days after mailing the Notice in the case of registered or certified mail. Either party may, at any time, change its Notice address by giving the other party Notice, in accordance with the above, stating the change and setting forth the new address.

B. If any Mortgagee shall notify Tenant that it is the holder of a Mortgage affecting the Leased Premises, no Notice thereafter sent by Tenant to Landlord shall be effective unless and until a copy of the same shall also be sent to such Mortgagee, in the manner prescribed in this Section 17.01, to the address as such Mortgagee shall designate.

C. Notwithstanding the foregoing or anything to the contrary contained elsewhere in this Lease, the time periods of all Notices (such as by way of example cure periods for defaults and any matter that requires the consent or approval of the other party) shall commence and start running on the date of service.

Section 17.02 Recording.

Landlord agrees Tenant may record at its sole cost and expense a memorandum of this Lease in form and substance mutually satisfactory to the parties hereto, provided Tenant at its sole cost and expense records a release of the memorandum upon the expiration or earlier termination of the Lease. Landlord agrees to sign and acknowledge such memorandum and such ancillary items as may be required in connection with the recording thereof. This provision shall survive the termination of the Lease.

Section 17.03 Interest.

A. If (i) Tenant fails to make any payment under this Lease when due, (ii) Landlord performs any obligation of Tenant under this Lease which is not reimbursed by Tenant within 30 days following written request from Landlord, or (iii) Landlord incurs any costs or expenses as a result of Tenant's Default under this Lease, which cost or expense is not reimbursed by Tenant within 30 days following written request from Landlord, then Tenant shall pay, upon demand, Interest from the due date for such payment or reimbursement.

B. If Tenant requests Landlord to review and/or execute any documents in connection with this Lease, including any Transfer documents, any Leasehold Mortgage and Landlord's subordination of its lien interest, Tenant shall pay to Landlord, upon demand and presentation of reasonably detailed invoices, as a reasonable administrative fee for the review and/or execution thereof, all costs and expenses, including reasonable attorneys' fees (which shall include the cost of time expended by in-house counsel) incurred by Landlord and/or Landlord's agent.

Section 17.04 Legal Expenses.

A. If Landlord institutes any suit against Tenant in connection with the enforcement of Landlord's rights under this Lease, the violation of any term of this Lease, the declaration of Landlord's rights hereunder, or the protection of Landlord's interest under this Lease, and Landlord prevails in such suit, then Tenant shall reimburse Landlord for its reasonable expenses incurred as a result thereof including court costs and reasonable attorneys' fees. Notwithstanding the foregoing, if Landlord files any legal action for collection of Rent or any eviction proceedings, whether summary or otherwise, for the non-payment of Rent, and Tenant pays such Rent prior to the rendering of any judgment, then Landlord shall be entitled to collect, and Tenant shall pay, all court filing fees and the reasonable fees of Landlord's attorneys.

B. Notwithstanding the foregoing or anything to the contrary contained elsewhere in this Lease, in the event Landlord is represented by the Office of the Attorney General for the District of Columbia ("OAG"), reasonable attorneys' fees shall be calculated based on the then applicable hourly rates established in the most current *Laffey* matrix prepared by the Civil Division of the United States Attorney's Office for the District of Columbia and the number of hours employees of the OAG prepared for or participated in any such litigation; provided, however, in no event shall any hourly rate exceed the sum of \$250.00 per hour. In the event the Laffey Matrix is no longer utilized by OAG, reasonable attorney's fees shall be

calculated based on an equivalent amount that a private firm of comparable size to OAG in the Washington D.C. area would have charged for such representation based on the number of hours OAG staff participate in any such litigation.

Section 17.05 Successors and Assigns.

This Lease and the covenants and conditions herein contained shall inure to the benefit of and be binding upon Landlord and Tenant, and their respective permitted successors and assigns. Upon any sale or other transfer by Landlord of its interest in the Leased Premises, to the extent agreed upon in writing between Landlord and its transferee, Landlord shall be relieved of its obligations under this Lease occurring subsequent to such sale or other transfer.

Section 17.06 Anti-Deficiency.

The obligations of the District of Columbia to fulfill financial obligations pursuant to this Lease, or any subsequent agreement entered into pursuant to this Lease or referenced herein (to which the District is a party), are and shall remain subject to the provisions of (i) the federal Anti-Deficiency Act, 31 U.S.C. §§1341, 1342, 1349–1351, 1511–1519 (2004) (the “**Federal ADA**”), and D.C. Official Code §§ 1–206.03(e) and 47–105 (2001); (ii) the District of Columbia Anti-Deficiency Act, D.C. Official Code §§ 47–355.01 to .08 (2004 Supp.) (the “**D.C. ADA**”) and (i) and (ii) collectively, as amended from time to time, the “**Anti-Deficiency Acts**”; and (iii) Section 446 of the District of Columbia Home Rule Act, D.C. Official Code § 1–204.46 (2001).

Landlord agrees to exercise all lawful and available authority to satisfy any financial obligations of Landlord that may arise under this Lease, including, without limitation, attempting to obtain the necessary appropriations and/or the reprogramming of available funds if such reprogramming is legal and necessary to satisfy Landlord’s financial obligations, if any; however, since funds are appropriated annually by Congress on a fiscal year basis, and since funds have not yet been appropriated for the undertakings contemplated herein, Landlord’s legal liability for the payment of any costs shall not arise unless and until appropriations for such costs are approved for the applicable fiscal year by Congress. Landlord makes no representation or assurance that Congress will grant the authorizations and appropriations necessary for Landlord to perform its financial obligations under this Lease. Nothing in this Lease shall be construed as an attempt to create an obligation of Landlord in advance or in anticipation of an appropriation

Section 17.07 Entire Agreement; No Representations; Modification.

This Lease is intended by the parties to be a final expression of their agreement and as a complete and exclusive statement of the terms thereof. All prior negotiations, considerations and representations between the parties (oral or written) are incorporated herein. No course of prior dealings between the parties or their officers, employees, agents or affiliates shall be relevant or admissible to supplement, explain or vary any of the terms of this Lease. No representations, understandings, agreements, warranties or promises with respect to the Leased Premises or the Building of which they are a part, or with respect to past, present or future tenancies, rents, expenses, operations, or any other matter, have been made or relied upon in the making of this Lease, other than those specifically set forth herein. This Lease may only be modified, or a term thereof waived, by a writing signed by an authorized officer of Landlord and Tenant expressly setting forth said modification or waiver.

Section 17.08 Severability.

If any term or provision of this Lease, or the application thereof to any Person or circumstance, shall be invalid or unenforceable, the remainder of this Lease, or the application of such term or provision to Persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Lease shall be valid and be enforced to the fullest extent permitted by law.

Section 17.09 Joint and Several Liability.

If two or more Persons shall sign this Lease as Tenant, the liability of each such Person to pay the Rent and perform all other obligations hereunder shall be deemed to be joint and several, and all Notices, payments and agreements given or made by, with or to any one of such Persons shall be deemed to have been given or made by, with or to all of them. In like manner, if Tenant shall be a partnership or other legal entity, the partners or members of which are, by virtue of any

Law, subject to personal liability, the liability of each such partner or member under this Lease shall be joint and several and each such partner or member shall be fully obligated hereunder and bound hereby as if each such partner or member had personally signed this Lease.

Section 17.10 Broker's Commission.

Tenant warrants and represents to Landlord that no broker, finder or agent has acted for or on its behalf in connection with the negotiation, execution or procurement of this Lease. Tenant agrees to indemnify and hold Landlord harmless from and against all liabilities, obligations and damages arising, directly or indirectly, out of or in connection with a claim from a broker, finder or agent with respect to this Lease or the negotiation thereof, including actual costs and reasonable attorneys' fees incurred in the defense of any claim made by a broker alleging to have performed services on behalf Tenant.

Section 17.11 Irrevocable Offer, No Option.

The submission of this Lease by Landlord to Tenant for examination shall not constitute an offer to lease or a reservation of or option for the Leased Premises. Tenant's execution of this Lease shall be deemed an offer by Tenant, but this Lease shall become effective only upon execution thereof by both parties and delivery thereof to Tenant.

Section 17.12 Inability to Perform.

Except for the payment of monetary obligations, if Landlord or Tenant is delayed or prevented from performing any of its obligations under this Lease by reason of acts of God, strike, labor troubles, or any cause whatsoever beyond their control, or any other cause generally considered to be Force Majeure in the Washington DC metropolitan region, the period of such delay or such prevention shall be deemed added to the time herein provided for the performance of any such obligation by Landlord or Tenant.

Section 17.13 Survival.

Occurrence of the Termination Date shall not relieve Tenant from its obligations accruing prior to the expiration of the Term to the extent specified by the provisions of this Lease. All such obligations shall survive termination of the Lease to the extent specified in this Lease.

Section 17.14 Tenant's Representations.

A. Tenant hereby represents and warrants to Landlord as follows:

(i) Tenant is a non-profit corporation duly organized, validly existing and in good standing under the laws of District of Columbia, (ii) Tenant is duly qualified to conduct business in the District of Columbia, and (iii) Tenant has the power and authority to conduct the business in which it is currently engaged;

(ii) Tenant (i) has the power and authority to execute, deliver and perform its obligations under this Lease, and (ii) has taken all necessary action to authorize the execution, delivery and performance of this Lease;

(iii) No consent or authorization of, or filing with, any Person (including any Governmental Authority), which has not been obtained is required in connection with the execution, delivery and performance of this Lease by Tenant, except for: (i) zoning approvals, if any; (ii) permits and approvals from Governmental Authorities required to construct the Improvements; and (iii) permits and approvals not currently required (but Tenant knows of no reason such permits and approvals will not be obtained as and when required);

(iv) This Lease has been duly executed and delivered by Tenant, and constitutes the legal, valid and binding obligation of Tenant, enforceable against Tenant in accordance with its terms;

(v) The execution, delivery and performance by Tenant of this Lease will not violate any Laws or result in a breach of any contractual obligation to which Tenant is a party;

(vi) Tenant's execution, delivery and performance of this Lease and the transactions contemplated hereby shall not: (i) to the best of Tenant's knowledge, violate any judgment, order, injunction, decree, regulation or ruling of any court or Governmental Authority with proper jurisdiction that is binding on Tenant; or (ii) result in a breach or default under any provision of the organizational documents of Tenant;

(vii) No litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or, to the best knowledge of Tenant, threatened by or against Tenant which, if adversely determined, individually or in the aggregate, could reasonably be expected to have a material adverse effect on Tenant and its ability to perform its obligations under this Lease; and

(viii) Tenant is a public charter school and has a valid and existing charter in effect pursuant to and in accordance the District of Columbia School Reform Act of 1995 (D.C. Official Code § 38-1800.01 et Seq. (Supp. 2005)).

Section 17.15 Construction of Certain Terms.

The term "including" shall mean in all cases "including without limitation." Wherever Tenant or Landlord is required to perform any act hereunder, such party shall do so at its sole cost and expense, unless expressly provided otherwise. All payments to Landlord, other than Annual Rent, whether as reimbursement or otherwise, shall be deemed to be Additional Rent, regardless whether denominated "as Additional Rent." The term "day" or "days" shall mean calendar days unless the term "Business Day" or "Business Days" are specifically used.

Section 17.16 Showing of Leased Premises.

Landlord may enter upon the Leased Premises during normal business hours on Business Days, upon at least twenty-four (24) hours prior written notice to Tenant, for purposes of showing the Leased Premises to tenants during the last twelve (12) months of the Term.

Section 17.17 Relationship of Parties.

This Lease shall not create any relationship between the parties other than that of Landlord and Tenant.

Section 17.18 Rule Against Perpetuities.

If Landlord fails to deliver the Leased Premises to Tenant within five (5) years from the date of this Lease, this Lease shall automatically terminate at the end of such period.

Section 17.19 Choice of Law.

This Lease shall be construed, and all disputes, claims, and questions arising hereunder shall be determined, in accordance with the laws of the District of Columbia.

Section 17.20 Choice of Forum.

Any action involving a dispute relating in any manner to the Lease, the relationship of Landlord/Tenant, the use or occupancy of the Leased Premises, and/or any claim of injury or damage shall be filed and adjudicated solely in the District of Columbia or any applicable federal courts of the jurisdiction in which the Leased Premises are located.

Section 17.21 Time is of the Essence.

Time is of the essence with respect to each and every obligation arising under this Lease.

Section 17.22 False Claims.

Notwithstanding anything to the contrary in this Lease, and without limitation of any kind, all demands for payment or reimbursement of any kind under this Lease made by Tenant, if any, shall be subject to D.C. Official Code §§ 2-308.13 - 2-308.19 (2001) and the remedies available thereunder.

Section 17.23 Hazardous Materials.

A. Except for (i) ordinary and general office supplies typically used in the ordinary course of business, such as copier toner, liquid paper, glue and ink, and common household cleaning materials, and (ii) products which are necessary and customary in the conduct of Tenant's business in accordance with Tenant's Permitted Use, all of which shall be stored, used and disposed of in accordance with all Hazardous Material Laws, Tenant agrees not to cause or permit any Hazardous Materials to be brought upon, stored, used, handled, generated, released or disposed of, on, in, under or about the Leased Premises, by Tenant, its agents, employees, subtenants, assignees, contractors or invitees. Tenant shall not discharge Hazardous Materials or wastes into or through any sanitary sewer serving the Leased Premises.

B. Tenant shall immediately notify Landlord in writing (and provide Landlord with copies) when (and if) Tenant first becomes aware or receives notice of any proceedings, actions, claims, notices, demands, reports or asserted violations arising out of or in connection with the presence of Hazardous Materials, or any actual or alleged violations of any Hazardous Material Laws, at, on, under or near the Leased Premises.

C. Subject to Section 17.23A., in the event that Hazardous Materials are discovered in, under or about the Leased Premises at any time due to any act or omission of Tenant (its agents, employees or contractors) which is (a) negligent, (b) unlawful, or (c) in violation of Tenant's obligations pursuant to this Lease, Tenant shall promptly, at its sole risk and expense, commence to perform, and diligently prosecute to completion, all work necessary or required to remove, treat, dispose of and clean up the Hazardous Materials and return the Leased Premises, and any adjacent property affected by such Hazardous Materials to the condition existing prior to the contamination by the Hazardous Materials. All such remediation shall be approved by Landlord and shall be performed to its satisfaction in accordance with all Hazardous Materials Laws.

D. Tenant shall defend, indemnify and hold harmless Landlord's Indemnitees, its successors and assigns, from and against any and all liabilities, actions, demands, penalties, losses, costs and expenses (including reasonable attorneys' fees, consultants' fees and remedial costs), suits, costs of any settlement or judgment and claims which may be paid, incurred or suffered by or asserted against any of Landlord's Indemnitees, its successors and assigns, as a result of the presence on or under the Leased Premises of Hazardous Materials, or the Release of Hazardous Materials, which such presence or Release is due to (a) any act or omission of Tenant (its agents, employees, contractors or invitees) or (b) in violation of Tenant's obligations pursuant to the Lease. Notwithstanding the foregoing, or anything to contrary contained elsewhere in this Lease, the foregoing indemnification shall not include the presence or Release of any Hazardous Materials in, on or under the Leased Premises prior to the Commencement Date, unless due to a Tenant Release.

E. The term "**Tenant Release**" shall mean the Release of a Hazardous Materials to the extent caused by Tenant, its agents, contractors, subcontractors or employees in, at or under the Leased Premises after the Commencement Date.

F. The term "**Release**" shall mean releasing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, disposing or dumping of a Hazardous Materials, regardless of whether such event is the result of an intentional or unintentional act or omission.

Section 17.24 First Source and CBE.

With respect to Tenant's Work and any other Alterations, construction or development work to be performed at the Leased Premises:

A. Tenant shall enter into a "**Certified Business Enterprise**" agreement with the District of Columbia governing the obligations of Tenant under the Small, Local and Disadvantaged Business Enterprise Development and Assistant Act of 2005 (D.C. Law 16-33; D.C. Official Code Section 2-218.01 et seq.) within thirty (30) days from the Date of Lease.

B. Tenant shall enter into a "**First Source Agreement**" with the District of Columbia governing the obligations of Tenant under the First Source Employment Agreement

Act of 1984, effective June 29, 1984 (D.C. Law 5-93; D.C. Official Code Section 2-219.03) within thirty (30) days from the Date of Lease.

Section 17.25 Nondiscrimination Covenants.

A. Tenant shall not discriminate upon the basis of race, color, religion, sex, national origin, ethnicity, sexual orientation, or any other factor which would constitute a violation of the D.C. Human Rights Act or any other Laws, or court order, in the sale, lease, or rental or in the use or occupancy of the Leased Premises.

B. Tenant shall not discriminate against any employee or applicant for employment because of race, color, religion, sex, national origin, or any other factor which would constitute a violation of the D.C. Human Rights Act or other Laws or court order.

C. Tenant will take affirmative action to ensure that employees are treated equally during employment, without regard to their race, color, religion, sex, or national origin, age, marital status, personal appearance, sexual orientation, family responsibilities, matriculation, political affiliation, or physical handicap. Such affirmative action shall include, but not be limited to, the following: (i) employment, upgrading, or transfer; (ii) recruitment or recruitment advertising; (iii) demotion, layoff, or termination; (iv) rates of pay or other forms of compensation; and (v) selection for training and apprenticeship. Tenant agrees to post in conspicuous places available to employees and applicants for employment notices to be provided by the District of Columbia or any agency thereof setting forth the provisions of this non-discrimination clause.

D. Tenant will, in all solicitations or advertisements for potential employees placed by or on behalf of Tenant, include the federal U.S. Equal Employment Opportunity Commission's logotype, statement, or slogan as a means of educating the public that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex or national origin or any other factor which would constitute a violation of the D.C. Human Rights Act or other Laws or court order.

Section 17.26 Landlord Delay.

A. "Landlord Delay" shall mean the occurrence of any of the following: (a) with respect to any matter that requires the consent or approval of Landlord under this Lease, if Landlord unreasonably withholds, conditions, or delays its consent or approval of such matter (if Landlord's consent or approval is not to be unreasonably withheld, conditioned, or delayed according to this Lease) or fails to specify in reasonable detail the reason for Landlord's disapproval or rejection of such matter (unless Landlord's consent or approval may be given or withheld in Landlord's sole discretion), or (b) if Landlord fails to take any other action required of Landlord under this Lease by the date such action is required.

B. If there shall occur a Landlord Delay, and such Landlord Delay shall delay or prevent Tenant from performing any obligation under this Lease, then the required date for the Tenant's performance of such obligation shall be extended on a day-for-day basis until such Landlord's Delay ceases by virtue of Landlord taking the required action that was the subject of the Landlord Delay. Any such extension shall not foreclose Tenant from any other remedy it may be entitled to pursue under this Lease in the event of Landlord Delay.


SIGNATURE PAGE TO FOLLOW

IN WITNESS WHEREOF, the parties hereto intending to be legally bound hereby have executed this Lease under their respective hands and seals as of the day and year first above written.

LANDLORD:

DISTRICT OF COLUMBIA

By and through its
DEPARTMENT OF GENERAL
SERVICES

By:  6/23/13

Name: Brian Hanlon
Title: Director

TENANT:

**PAUL PUBLIC CHARTER SCHOOL,
INC.**

By: 

Name: Jami D.H. Dunham

Title: Chief Executive Officer

Approved For Legal Sufficiency:

By: 

Name: Steven A. Sadel
Title: Assistant Attorney General

EXHIBIT A

LEGAL DESCRIPTION

All that certain real property, land, buildings and improvements located at 5901 Ninth Street, NW, Washington, DC, commonly known as the “Paul School” and being part of Square 2985, Lot 0814 in the District of Columbia.

EXHIBIT B

TENANT'S WORK

A. Tenant shall remodel, renovate, refurbish and add to the Leased Premises, including the making of all improvements, alterations and changes to the Leased Premises necessary to place same in accordance with applicable District of Columbia codes and to enable Tenant to properly use the Leased Premises for the Permitted Use as set forth in the Lease, all of such improvements hereinafter referred to as "**Tenant's Work**". All of Tenant's Work shall be performed by Tenant in accordance with detailed plans and specifications, to be prepared by Tenant's architect and provided to District in one (1) set of blue line plans and a CAD disk, including Tenant's material sample board, all of which shall be submitted to Landlord on or before the plan submittal dates set forth in the Schedule (defined in paragraph B. of this Exhibit B), for Landlord's written approval (as to both to design and materials), which approval shall not be unreasonably withheld, conditioned or delayed. Tenant's actual construction costs for Tenant's Work (including both hard and soft costs but specifically excluding the costs of purchasing and/or installing Tenant's movable furniture, furnishing, fixtures and equipment) ("**Actual Construction Costs**") incurred by Tenant in performing Tenant's Work shall be not be less than the sum of \$16,000,000.00.

B. Prior to commencement of Tenant's Work, Tenant shall submit to Landlord for Landlord's consent, which consent shall not unreasonably withheld, conditioned or delayed, a proposed scope of work for Tenant's Work setting forth in detail the work to be performed ("**Scope**"), together with an estimated schedule ("**Schedule**") and estimated budget ("**Budget**"), which Scope, Schedule and Budget and after approval by both parties may be modified at any time or times only with Landlord's prior written consent, which consent shall not unreasonably withheld, conditioned or delayed. The Budget shall be adjusted upon a final accounting of Actual Construction Costs for the Tenant's Work, based upon paid invoices and other evidence of the costs and expenses incurred by Tenant with respect thereto.

C. Tenant shall perform and complete Tenant's Work in accordance with the timelines and dates set forth in the Schedule. Notwithstanding the foregoing, or anything to the contrary contained in the Schedule, subject to Force Majeure, Tenant shall Complete Tenant's Work on or before the Completion Date.

D. Tenant's Work, including the review and approval process for the plans and specifications, shall be performed and governed by the process set forth in Section 9.04 of the Lease.

F. Within sixty (60) days after completion of Tenant's Work, the following items must be submitted to Landlord by or on behalf of Tenant:

(i) A notice from Tenant, or its general contractor, certifying in writing to Landlord, and Landlord approves such certification, that one hundred percent (100%) of Tenant's Work as specified in the final plans and specifications as approved by Landlord, is Completed.

(ii) Copies of paid invoices evidencing Tenant's expenditure amounts for actual construction costs (inclusive of "soft costs"), plus an affidavit of Tenant's chief operating officer stating the total cost of the construction.

(iii) Final unconditional releases of liens executed by all applicable suppliers, materialmen, contractors and subcontractors.

(iv) An affidavit listing (a) the names of all contractors, subcontractors, suppliers and materialmen who provided or supplied, labor, services, goods and materials to the Leased Premises, and (b) that all listed contractors, subcontractors, suppliers and materialmen have been paid in full for the labor, services, goods and materials provided or supplied to the Leased Premises as of the date of the affidavit.

(v) A permanent or temporary Certificate of Occupancy for the Leased Premises, if applicable.

ADDENDUM 1

RENT CREDIT DURING OPTION PERIOD

1. In the event that during the Option Period, Tenant makes or causes to be made at any time or times any Capital Alterations (as hereinafter defined) to the Leased Premises the cost of which is in excess of \$1,000,000.00 individually or in the aggregate every five (5) years, then provided that (i) Tenant is not in Default under the Lease and (ii) Landlord and Tenant have agreed to the Scope, Schedule and Budget of such Capital Alterations in accordance with the same procedures for Tenant's Work set forth in Section C of **Exhibit B** to this Lease, Tenant shall be entitled to a credit against Annual Base Rent in an amount equal to Tenant's actual construction costs of such Capital Alterations incurred by Tenant in performing such Capital Alterations, including both hard and soft costs ("**Rent Credit**"). Tenant shall be entitled to apply the full amount of the Rent Credit, on a dollar-for-dollar basis, against the full amount of each installment of Annual Base Rent, as the same becomes due and payable, until the entire Rent Credit has been so applied. The term "**Capital Alterations**" shall mean any alterations, additions, renovations, improvements or installations in or to the Premises (excluding Tenant's Property, such as by way of example movable furniture, furnishing, fixtures and equipment) which are considered capital improvements under generally accepted accounting principles.
2. Tenant shall not be entitled to Rent Credit on any day during the Term during which a monetary Default or a material non-monetary Default by Tenant exists under the Lease.

ADDENDUM II

OPTION TO EXTEND

Tenant shall have the option (the “**Option**”) to extend the Term of this Lease for one (1) additional period of twenty-five (25) Lease Years (“**Option Period**”), subject to the following terms and conditions:

1. Tenant shall exercise the Option, if at all, by giving Landlord written notice (the “**Option Exercise Notice**”), via certified mail-return receipt requested, of its intent to extend the Term. Landlord must receive the Option Exercise Notice at least twelve (12) months prior to the expiration of the initial Term.
2. At the time Landlord receives the Option Exercise Notice, (i) Tenant is not in Default under any of its obligations under this Lease, and (ii) Tenant is operating a business in the Leased Premises in accordance with the Permitted Use.
3. All other terms and conditions of this Lease shall remain unchanged and apply during the Option Period except that the Annual Base Rent for the Option Period shall be adjusted to the Fair Market Rent as of the commencement of the Option Period (as determined below).
5. If the Option is not timely exercised, Tenant's right to extend the Term shall expire and the Lease shall terminate at the end of the initial Term.
6. The term “**Fair Market Rent**” shall mean the per square foot rental rate, then being charged by landlords for ground leases within the District of Columbia for the use of the Leased Premises as an educational facility, taking into consideration the then existing improvements located at the Leased Premises. Landlord shall determine the Fair Market Rent using its good faith judgment and shall provide written notice of such rate within sixty (60) days after Landlord's receipt of Tenant's exercise notice. Tenant shall thereupon have the following options: (i) to accept such proposed “Fair Market Rent”, (ii) to withdraw its Option Exercise Notice, or (iii) to notify Landlord in writing that Tenant disputes the proposed Fair Market Rent. Tenant must provide Landlord with written notification of its election within thirty (30) days after Tenant's receipt of Landlord's determination of Fair Market Rent, otherwise Tenant shall be deemed to have elected the option in clause (iii) above (disputing Landlord's determination of Fair Market Rent). If Tenant disputes, or is deemed to have disputed, Landlord's proposed Fair Market Rent as provided in clause (iii) above, Landlord and Tenant shall attempt to negotiate a mutually acceptable rental rate within thirty (30) days following notification of Tenant's dispute (or deemed dispute) (the “**Voluntary Resolution Period**”), and if the dispute is not resolved within the Voluntary Resolution Period, either party may require an independent determination of the Fair Market Rent for the Option Period by giving written notice (the “**Appraisal Notice**”) to the other no later than twenty (20) days after the expiration of the Voluntary Resolution Period, which Appraisal Notice shall designate a real estate appraiser/broker with at least ten (10) years experience in commercial leasing in the District of Columbia. Within twenty (20) days after receipt of the Appraisal Notice, the other party to this Lease shall select a real estate appraiser/broker meeting the aforesaid requirements and give written notice of such selection to the initiating party. The parties shall each pay the costs of its own appraiser. If the two (2) real estate appraisers/brokers fail to agree upon the Fair Market Rent within thirty (30) days after selection of the second appraiser/broker, the two (2) appraisers/brokers shall select a third (3rd) real estate appraiser/broker meeting the foregoing requirements to determine the Fair Market Rent within thirty (30) days after the appointment of the third (3rd) appraiser/broker. The Fair Market Rent applicable to the Option Term shall equal the arithmetic average of such three (3) determinations; provided, however, that if one (1) appraiser/broker's determination deviates by more than five percent (5%) from the median of the three (3) determinations, the Fair Market Rent shall be an amount equal to the average of the other two (2) determinations. The parties shall equally share the cost of the third (3rd) appraiser; provided, however, Tenant shall pay the full amount to the third (3rd) broker and receive a credit against Rent for the Landlord's share of such broker's fee.

ADDENDUM III
LEASEHOLD MORTGAGE PROVISIONS

A. Approved Mortgagee

1. The term “**Approved Mortgagee**” shall mean only the holder of a Leasehold Mortgage (as defined in Section A.2 of this Addendum III) pursuant to Permitted Financing (as defined in Section A.2 of this Addendum III) who has notified Landlord pursuant to Section C below, and which holder shall be an Institutional Lender (as defined below in this Addendum III). Notwithstanding anything to the contrary in this Lease, Tenant may mortgage its leasehold estate under this Lease under any Leasehold Mortgage with an Approved Mortgagee at any time and from time to time, upon notice to and written approval from Landlord, which approval shall not be unreasonably withheld, conditioned or delayed; *provided, however,* that if Landlord fails to approve or disapprove an Institutional Lender to be an Approved Mortgagee within thirty (30) calendar days from Tenant’s request for such approval, such Institutional Lender shall be deemed approved by Landlord and shall be an Approved Mortgagee hereunder. Notwithstanding the foregoing or anything to the contrary contained elsewhere in this Lease, Landlord hereby approves each of PNC Bank, City First Bank, Eagle Bank, United Bank, BB&T, Bank of America, Building Hope, America’s Charters School Financing Corporation, Charter Schools Development Corporation, Self Help, The Reinvestment Fund, and OSSE/OPCSFS (and affiliates thereof) as an Approved Mortgagee. In addition, any Leasehold Mortgage or similar instrument that evidences an Approved Mortgagee’s security interest in the leasehold estate shall provide for the following and shall have agreed in writing with Landlord in recordable form that:

- a. prior to initiating any foreclosure proceedings under any Leasehold Mortgage, the Approved Mortgagee shall first offer to Landlord in writing, the option (with no obligation upon Landlord to exercise same) for Landlord to fully satisfy Tenant’s obligations under the Leasehold Mortgage, at par, to be exercised within sixty (60) calendar days of delivery of written notice to Landlord of Approved Mortgagee’s intent to initiate foreclosure proceedings, which notice shall include the amount of Tenant’s outstanding obligations to such Approved Mortgagee;
- b. assuming Landlord has not exercised the option described in Section A.1.a of this Addendum III, prior to acquiring the leasehold estate of Tenant in connection with foreclosure proceedings, or any conveyance in lieu of foreclosure, and prior to any further conveyance of the leasehold estate subsequent to any such foreclosure or conveyance in lieu of foreclosure, Approved Mortgagee (or any successor or acquirer of the leasehold estate) shall offer the leasehold estate for sale to Landlord in writing on the same terms and conditions being offered by or to any third party, whereupon Landlord will have a thirty (30) day period to determine whether to exercise its option to purchase the leasehold estate on such terms and conditions (but shall be under no obligation to do so), failing which Approved Mortgagee (or other successor or acquirer of the leasehold estate at foreclosure) may, subject to Section B.3 of this Addendum III, so convey the leasehold estate to such third party on such particular terms and conditions; and
- c. [omitted];
- d. it acknowledges the terms of this Lease.

2. The term “**Leasehold Mortgage**” as used in this Lease shall mean a mortgage, deed of trust or other security instrument from an Approved Mortgagee by which Tenant’s leasehold interest in the Leased Premises and the Lease Improvements are mortgaged, conveyed, assigned or otherwise transferred to an Approved Mortgagee, to secure a debt or other obligation which (i) in the case of construction financing, is security only for indebtedness of Tenant incurred by Tenant with respect only to the development, construction and operation of

the Leased Premises or (ii) secures a loan for the operation, repair and maintenance of the Leased Premises and the Improvements providing by its terms to be paid in full no later than the expiration of the Term of this Lease. Tenant's leasehold interest in the Leased Premises shall not be used as collateral for any other mortgage, deed of trust or security instrument to secure a debt or obligation of Tenant for any other property other than to secure a debt or obligation of Tenant for the Leased Premises. The holder of a Leasehold Mortgage shall be a "**Leasehold Mortgagee.**" The term "**Permitted Financing**" as used in this Lease shall mean any financing obtained by Tenant from an Approved Mortgagee pursuant to Section A of this Addendum III with respect to the Leased Premises and the Improvements, pursuant to which financing the Approved Mortgagee holds a security interest constituting a lien against Tenant's leasehold estate hereunder.

3. Tenant shall submit to Landlord for Landlord's prior written approval any and all mortgage documents creating a security interest in the Leased Premises which may be submitted by a prospective Leasehold Mortgagee, which approval shall not be unreasonably withheld, delayed or conditioned. Landlord will not subordinate its interests in the Leased Premises to any Leasehold Mortgagee in any circumstances; provided however, that nothing in this Section A.3 of this Addendum III shall be interpreted to give any mortgage or other security instrument entered into by Landlord priority over any Approved Mortgagee's secured interest in the Tenant's leasehold estate.

B. Leasehold Mortgage Authorized.

1. Subject to the foregoing and the other provisions of this Addendum III, Tenant may mortgage, pledge, hypothecate or encumber this Lease and enter into a Leasehold Mortgage upon a sale and assignment of the leasehold estate permitted by this Lease or may mortgage or otherwise encumber Tenant's leasehold estate for the benefit of an Approved Mortgagee, under one or more Leasehold Mortgages and assign this Lease as security for such Leasehold Mortgage or Leasehold Mortgages.

2. Any such Leasehold Mortgage shall be expressly subordinate to Landlord's interest in this Lease and the Leased Premises, and that anyone claiming by or through Tenant shall be so subordinate and shall have no recourse against Landlord. Because Tenant will hold no interest in the fee, Tenant shall not have the right to encumber the fee interest of Landlord in the Leased Premises or the reversion of Landlord or rentals due Landlord, and as such Approved Mortgagee shall not acquire any greater interest in the Leased Premises than Tenant has under this Lease.

3. The transfer or assignment of the leasehold estate of Tenant under this Lease pursuant to any foreclosure (judicial or otherwise) by any Approved Mortgagee or any deed or assignment in lieu of foreclosure or the disposition of the leasehold estate by the holder of such Leasehold Mortgage shall only be to an entity that shall operate the Leased Premises for the Permitted Uses.

C. Notice to Landlord.

1. If Tenant shall, on one or more occasions, mortgage Tenant's leasehold estate to an Approved Mortgagee, and if the holder of such Leasehold Mortgage shall provide Landlord with notice of such Leasehold Mortgage together with a true copy of such Leasehold Mortgage, and the name and address of the Leasehold Mortgagee, Landlord and Tenant agree that, following receipt of such notice by Landlord, the provisions of this Addendum III shall apply with respect to each such Leasehold Mortgage.

2. Landlord shall promptly, upon receipt of a communication purporting to constitute the notice provided for by Section C.1 of this Addendum III, acknowledge by an instrument in recordable form receipt of such communication as constituting the notice provided for by Section C.1 of this Addendum or, in the alternative, notify the Tenant and the Approved Mortgagee of the rejection of such communication as not conforming with the provisions of Section C.1 of this Addendum III, and specify the specific basis of such rejection; provided, however, that the failure of the Landlord to acknowledge such notice shall not be a condition to the effectiveness of such notice provided that the notice is given in accordance with the terms of this Lease.

3. After Landlord has received the notice provided for by Section C.1 of this Addendum III, the Tenant, upon being requested to do so by Landlord, shall, with reasonable promptness, provide Landlord with copies of the note or other obligation secured by such Approved Mortgagee and of any other documents pertinent to the Leasehold Mortgage as specified by the Landlord not previously provided. If requested to do so by Landlord, the Tenant shall, thereafter, also provide the Landlord, from time to time, with a copy of each amendment or other modification or supplement to such instruments. From time to time, upon being requested to do so by Landlord, Tenant shall also notify Landlord of the date and place of recording and other pertinent recording data with respect to such instruments as have been recorded.

4. In the event of any assignment of a Leasehold Mortgage by an Approved Mortgagee, or in the event of a change of address of an Approved Mortgagee, or of an assignee of such Leasehold Mortgage, notice of the new name and address shall be promptly provided to Landlord pursuant to this Lease.

D. Consent of Approved Mortgagee.

1. No termination, amendment, modification, cancellation or other surrender of this Lease shall be effective as to any Approved Mortgagee unless consented to in writing by such Approved Mortgagee. The foregoing shall not prevent the termination of the Lease in accordance with its terms; provided, however, that termination shall be subject to the rights of any Approved Mortgagee under this Addendum III.

E. Approved Mortgagee's Opportunity to Cure.

1. Landlord, upon providing Tenant any notice under this Lease of: (a) Default under this Lease, or (b) an intended termination of this Lease, or (c) a matter on which Landlord may predicate or claim a Default, shall, at the same time, provide a copy of such notice to every Approved Mortgagee. From and after the date on which such notice has been given to an Approved Mortgagee, such Approved Mortgagee shall have the same period, after the giving of such notice upon it, for remedying any Default or acts or omissions which are the subject matter of such notice or causing the same to be remedied, as is given Tenant after the giving of such notice to Tenant, plus in each instance, the additional periods of time specified in Sections F and G of this Addendum III to remedy, commence remedying or cause to be remedied the Defaults or acts or omissions which are the subject matter of such notice at the instigation of such Approved Mortgagee as if the same had been done by Tenant. Landlord and Tenant do hereby authorize entry upon the Leased Premises by the Approved Mortgagee for such purpose.

F. Termination Notice to Approved Mortgagee.

1. Anything contained in this Lease to the contrary notwithstanding, if any Default shall occur which entitles Landlord to terminate this Lease, Landlord shall not effectuate the termination of the Lease unless, following the expiration of Tenant's cure period for such Default, Landlord has delivered a copy of the Notice to Terminate to any Approved Mortgagee at least thirty (30) calendar days in advance of the proposed effective date of such termination. The provisions of Section G.1 of this Addendum III shall apply if, during such 30-day termination notice period, any Approved Mortgagee shall:

- a. Notify Landlord of such Approved Mortgagee's desire to cure the Tenant's Default;
- b. Pay or cause to be paid all Rent, insurance premiums and other monetary obligations of Tenant then due in arrears as set forth in the Notice to Terminate to such Approved Mortgagee and/or which may become due during such 30 day period; and
- c. Comply or in good faith and with reasonable diligence and continuity, commence to comply with all nonmonetary requirements of this Lease then in Default and which are reasonably susceptible of being complied with by such Approved Mortgagee; provided, however, that such Approved Mortgagee shall not be required at anytime to cure or commence to cure any default consisting of Tenant's failure to satisfy and

discharge any lien, charge or encumbrance against the Tenant's interest in this Lease or the Leased Premises junior in priority to the lien of the mortgage held by such Leasehold Mortgage.

2. Any notice to be given by Landlord to an Approved Mortgagee pursuant to any provision of this Addendum III shall be deemed properly addressed if sent to the Approved Mortgagee who served the notice referred to in Section C.1 of this Addendum III unless notice of a change of Leasehold Mortgagee has been given to Landlord pursuant to Section C.4 of this Addendum III.

G. Procedure on Default.

1. If Landlord shall elect to terminate this Lease by reason of a Default, the termination date for this Lease in the Notice to Terminate with respect to an Approved Mortgagee shall be extended for ten (10) calendar days from and after the proposed effective date of such termination set forth in Section F.1 of this Addendum III with respect to any Default that is capable of being cured with the payment of money, and for twelve (12) months from and after the proposed effective date of such termination set forth in Section F.1 of this Addendum III for all other Defaults, provided that such Approved Mortgagee shall, during such ten (10) day or, twelve (12) month period, as applicable:

- a. pay or cause to be paid, the Rent, insurance premiums and other monetary obligations of Tenant under this Lease as the same become due, and continue its good faith efforts to perform all of Tenant's other obligations under this Lease, excepting (A) obligations of Tenant to satisfy or otherwise discharge any lien, charge or encumbrance against Tenant's interest in this Lease or the Leased Premises junior in priority to the lien of the Leasehold Mortgage held by such Approved Mortgagee, and (B) past nonmonetary obligations then in default and not reasonably susceptible of being cured by the payment of money by such Approved Mortgagee;
- b. if not enjoined or stayed, take steps to acquire or sell Tenant's interest in this Lease by foreclosure of the Leasehold Mortgage or other appropriate means and prosecute the same to completion with due diligence provided that Landlord has not previously exercised its right to satisfy the obligations under the Leasehold Mortgage or purchase the leasehold estate prior to such foreclosure proceedings, as set forth in Section A.1 of this Addendum III. Notwithstanding the foregoing, an Approved Mortgagee shall not be required to comply with the terms of this paragraph (b) if the Default is solely monetary and the Approved Mortgagee has cured such monetary Default; and
- c. comply or in good faith, with reasonable diligence and continuity, commence to comply and thereafter continue to comply with all nonmonetary requirements of this Lease then in default, and reasonably susceptible of being complied with by such Approved Mortgagee.

2. If at the end of such ten (10) day or twelve (12) month period, as applicable as set forth in Section G.1 of this Addendum III, the Approved Mortgagee is not in compliance with Section G.1 of this Addendum III, Landlord may terminate this Lease by giving written notice of termination to Tenant and each Approved Mortgagee.

3. If the Approved Mortgagee is in compliance with Section G.1 of this Addendum III, and Approved Mortgagee is enjoined or stayed by a court of competent jurisdiction from foreclosing or exercising any remedies under the Leasehold Mortgage, this Lease shall not then terminate and the time for completion of such Approved Mortgagee of its proceedings shall continue so long as such Approved Mortgagee is enjoined or stayed by a court of competent jurisdiction, and shall not terminate thereafter provided that within the twelve (12) month period commencing on the day the stay is lifted, Approved Mortgagee either reinstates the Tenant under the Leasehold Mortgage, executes a workout agreement with the Tenant, or proceeds to take steps to acquire or

sell Tenant's interest in this Lease by foreclosure of the Leasehold Mortgage or by other appropriate means with reasonable diligence and continuity. Nothing in this Section G of Addendum III, however, shall be construed to extend this Lease beyond the Term thereof, or to require an Approved Mortgagee to continue such foreclosure or such other proceedings after the Default has been cured. If all Defaults shall be cured during any such extended period set forth in this Section G of Addendum III and the Approved Mortgagee shall discontinue such foreclosure proceedings or other proceedings, this Lease shall continue in full force and effect as if Tenant had not defaulted under this Lease.

4. If an Approved Mortgagee is in compliance with Section G.1 of Addendum III, and/or if an Approved Mortgagee exercises remedies when Tenant is not in default hereunder, then, in either instance, upon the acquisition of the leasehold estate herein by such Approved Mortgagee or its designee, or any other purchaser at a foreclosure sale, or otherwise and upon the discharge of any lien, charge or encumbrance against the Tenant's interest in this Lease or the Leased Premises which is junior in priority to the lien of the Leasehold Mortgage held by such Approved Mortgagee, if so required by Law, this Lease, including but not limited to rights to extend and rights to all applicable rent credits and adjustments, shall continue in full force and effect as if Tenant had not defaulted under this Lease, provided however, that as a condition precedent to such continuation of this Lease, (a) such Approved Mortgagee or its designee, or any other purchaser or assignee at a foreclosure sale or deed in lieu of foreclosure shall cure any existing Event of Default in accordance with the provisions of Section G.1 of Addendum III upon the acquisition of the leasehold estate and use the Leased Premises only for Permitted Uses; and (b) to the extent that upon any acquisition of the leasehold estate at a foreclosure sale, or conveyance in lieu thereof, there are excess proceeds between the purchase price of the leasehold estate and the outstanding balance of the Leasehold Mortgage and outstanding obligations that must be satisfied and have priority under Laws, to the extent permitted by Laws, the excess proceeds in an amount up to six months of the then current Rent for the applicable Lease Year shall be deposited with the Landlord for five (5) years from the date of the deposit. In the event that Law requires that the security deposit be deposited with a court of competent jurisdiction and such security deposit is so deposited by the Approved Mortgagee or Person conducting the foreclosure sale, or conveyance in lieu thereof, then Landlord shall apply to the court for disbursement. Such funds shall be held and distributed as follows: (i) to the extent Landlord shall suffer any costs or damages during the balance of the Term, then upon application by Landlord, such funds shall be disbursed to Landlord to defray such costs or damages related to any act or omission of the then current Tenant, tenant in possession at the time of the foreclosure sale, or conveyance in lieu thereof, or the Approved Mortgagee or (ii) beginning on the first annual anniversary of the date of the deposit through the fifth annual anniversary of the date of the deposit, if no such costs or damages have been incurred, Tenant shall be entitled to a release of the deposit in an amount equal to twenty (20%) of the then remaining total deposit. At the expiration of the fifth year following the date of the deposit, the total amount of the outstanding deposit then held by Landlord shall be released to Tenant.

5. For the purposes of this Addendum III, any Approved Mortgagee, as such, shall not be deemed to be an assignee or transferee of this Lease or of the leasehold estate hereby created so as to require such Approved Mortgagee, as such, to assume the performance of any of the terms, covenants or conditions on the part of the Tenant to be performed hereunder. However, in the event of any sale of this Lease, and of the leasehold estate hereby created in any proceedings for the foreclosure of any Leasehold Mortgage, or any assignment or transfer of this Lease and of the leasehold estate hereby created under any instrument of assignment or transfer in lieu of the foreclosure of any Leasehold Mortgage, any assignee or transferee under this Addendum III, shall be deemed to have agreed to perform all of the terms, covenants and conditions on the part of the Tenant to be performed hereunder from and after the date of such purchase and assignment, but only for so long as such purchaser or assignee is the Tenant of the leasehold estate.

6. Any Leasehold Mortgage or other entity in possession of Tenant's interest under the Leasehold Mortgage pursuant to foreclosure, assignment in lieu of

foreclosure or other proceedings may, without the consent of Landlord, sell, transfer or assign its Leasehold Mortgage to an Institutional Lender on such terms and conditions as determined in its sole and absolute discretion.

H. **No Merger.**

1. So long as any Leasehold Mortgage is in existence, unless all Approved Mortgagees shall otherwise expressly consent in writing, the fee title to the Leased Premises and the leasehold estate of Tenant therein created by this Lease shall not merge, but shall remain separate and distinct, notwithstanding the acquisition of said fee title and said leasehold estate by Landlord or by Tenant, or by a third party, by purchase or otherwise.

I. **Requests for Lease Modification.**

1. In connection with Tenant obtaining or renewing a Leasehold Mortgage, if the Leasehold Mortgagee shall request modifications of this Lease as a condition of such Leasehold Mortgage (or any amendment, extension or modification thereof), Landlord shall work in good faith with Tenant and such Leasehold Mortgagee to make such changes as are requested provided that the requested modification does not materially and adversely change Landlord's rights and obligations under this Lease.

J. **Institutional Lender.**

1. **"Institutional Lender"** means a lender or equity investor in real estate that is not a Prohibited Person (as defined in paragraph 2 below) but is: (i) a commercial bank, investment bank, investment company, savings and loan association, trust company or national banking association, acting for its own account, (ii) a finance company principally engaged in the origination of commercial mortgage loans or any financing-related subsidiary of a Fortune 500 company, (iii) an insurance company, acting for its own account or for special accounts maintained by it or as agent or manager or advisor for other entities covered by any of clauses (i)-(xi) hereof, (iv) a public employees' pension or retirement system, (v) a pension, retirement, or profit sharing, or commingled trust or fund for which any bank, trust company, national banking association or investment adviser registered under the Investment Advisors Act of 1940, as amended, is acting as trustee or agent, (vi) a real estate investment trust (or umbrella partnership or other entity of which a real estate investment trust is the majority owner), real estate mortgage investment conduit or securitization trust or similar investment entity, (vii) any federal, state, or District agency regularly making, purchasing or guaranteeing mortgage loans, or any governmental agency supervising the investment of public funds, (viii) a profit-sharing or commingled trust or fund, the majority of equity investors in which are pension funds having in the aggregate no less than \$1,000,000,000.00 in assets; (ix) any entity of any kind actively engaged in commercial real estate financing (including without limitation, affordable housing financing) and having total assets (on the date when its interest in the Leased Premises, or any portion thereof, is obtained) of at least \$30,000,000.00, (x) a corporation, other entity or joint venture that is a wholly owned subsidiary or combination of any one or more of the foregoing entities (including, without limitation, any of the foregoing entities described in clauses (i)-(ix) when acting as trustee or manager for other lender(s) or investor(s), whether or not such other lender(s) or investor(s) are themselves Institutional Lenders) or (xi) such other lender or equity investor which at the time of making the investment is of a type which may customarily be utilized as an investor or lender on projects like the portion of the Leased Premises or Improvements upon which such financing is placed.

2. **"Prohibited Person"** means any of the following Persons: (a) Any Person (or any Person whose operations are directed or controlled by a Person) who has been convicted of or has pleaded guilty in a criminal proceeding for a felony or who is an on-going target of a grand jury investigation convened pursuant to Laws concerning organized crime; or (b) Any Person organized in or controlled from a country, the effects of the activities with respect to which are regulated or controlled pursuant to the following United States laws and the regulations or executive orders promulgated thereunder: (i) the Trading with the Enemy Act of 1917, 50 U.S.C. App. §1, *et seq.*, as

amended (which countries are, as of the date hereof, North Korea and Cuba); (ii) the International Emergency Economic Powers Act of 1976, 50 U.S.C. §1701, *et seq.*, as amended; and (iii) the Anti-Terrorism and Arms Export Amendments Act of 1989, codified at Section 6(j) of the Export Administration Act of 1979, 50 U.S.C. App. § 2405(j), as amended (which countries are, as of the date hereof, Iran, Sudan and Syria); or (C) Any Person who has engaged in any dealings or transactions (i) in contravention of the applicable money laundering laws or regulations or conventions or (ii) in contravention of Executive Order No. 13224 dated September 24, 2001 issued by the President of the United States (Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism), as may be amended or supplemented from time-to-time or any published terrorist or watch list that may exist from time to time; or (D) Any Person who appears on or conducts any business or engages in any transaction with any person appearing on the list maintained by the U.S. Treasury Department's Office of Foreign Assets Control list located at 31 C.F.R., Chapter V, Appendix A or is a person described in Section 1 of the Anti-Terrorism Order; or (E) Any Person suspended or debarred by HUD or by the District of Columbia government; or (F) Any Affiliate of any of the Persons described in paragraphs (A) through (E) above.

ADDENDUM IV
EXISTING LEASE

Tenant is currently in possession of the Leased Premises pursuant to the terms and conditions of the certain Lease dated August 11, 2003 ("**Existing Lease**"). Notwithstanding anything to the contrary in the Existing Lease, the Existing Lease shall terminate as of 11:59 p.m. on the date immediately prior to the Lease Commencement Date of this Lease.