

U.S. GOVERNMENT
LEASE FOR REAL PROPERTY

DATE OF LEASE: DEC - 9 2008

LEASE #GS-11B-02066

DEC - 9 2008

THIS LEASE, made and entered into this date between **CS Master V, LLC**
whose address is **4733 Bethesda Avenue, Suite 800**
Bethesda, MD, 20814

and whose interest in the property hereinafter described is that of OWNER, hereinafter called the LESSOR, and the UNITED STATES OF AMERICA, hereinafter called the Government.

WITNESSETH: The parties hereto for the considerations hereinafter mentioned, covenant and agree as follows:

1. The Lessor hereby leases to the Government the following described premises:



A total of 54,790 BOMA Rentable Square Feet (BRSF) (yielding 49,053 ANSI/BOMA Office Area Square Feet (BOASF)) and consisting of 4,187 BRSF (3,742 BOASF) located on a portion of the 11th floor, 49,481 BRSF (44,220 BOASF) located on the entirety of the 12th floor, and 1,122 BRSF (1,091 BOASF) located on a portion of the P1 level located in the building known as Two Constitution Square, located at 145 N Street, N.E., Washington, DC, 20002 to be used for SUCH GENERAL OFFICE AND RELATED PURPOSES AS DETERMINED BY THE GOVERNMENT (See floor plans of leased premises included in Attachment A). The Federal Government shall be the only tenant in the building, except retail provided in accordance with the SFO.

2. TO HAVE AND TO HOLD the said premises with their appurtenances for the term commencing in accordance with the terms of the Solicitation for Offers SFO # 09-008 (SFO), including SFO paragraphs 1.7 and 3.19, and General Clauses 12 and 20, and continuing for 15 years from the commencement date. The commencement date and term shall be established in accordance with the SFO in a Supplemental Lease Agreement. In establishing the commencement date under this Lease, the parties will use their best efforts to arrive at a commencement date that makes the term of this Lease and the term of the GSA Lease No. GS-11B-02012 co-terminous.

3. The Government shall pay the Lessor annual rent of \$2,629,920.00 (\$48.00/BRSF) payable at a rate of \$219,160.00 per month in arrears. Rent for a lesser period shall be prorated. Rent checks shall be made payable to: **CS Master V, LLC**, 4733 Bethesda Avenue, Suite 800, Bethesda, MD, 20814, or in accordance with the provision on electronic payment of funds. Notwithstanding the foregoing, the Government shall be entitled to abatement of rent in the total amount of \$1,773,201.85 applied as follows: (a) rent for the first six (6) full months of the lease term (inclusive of operating costs and amortization of the tenant improvement allowance) in the total amount of \$1,314,960.00 shall be abated entirely; and (b) a portion of the monthly shell rent shall be partially abated during the 7th, 8th, and 9th full months of the lease term, in equal monthly amounts of [REDACTED], for a total amount of [REDACTED], to account for the Government's Commission Credit as more fully set forth in Paragraph 6(D) below.

4. (Intentionally Deleted)

5. (Intentionally Deleted)


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6. The Lessor shall furnish to the Government, as part of the rental consideration, the following:

A. All services, utilities, alterations, repairs, and maintenance, as well as any other right and privilege stipulated by this Lease, the SFO and its Attachments are included as a component of the rent.

B. The base building design and construction shall meet the requirements of the SFO and, in addition, shall result in a quality of building architecture, building systems, construction, and finishes and a level of planning efficiency and flexibility in accordance with the narrative descriptions and renderings set forth in Attachment M hereto.

C. The Lessor shall provide to the Government a Tenant Improvement Allowance of \$2,035,699.50 (\$41.50/BOASF). Such Allowance shall be available in full immediately upon execution of this Lease, but shall be held by the Lessor until directed by the Government on how the disbursement of funds shall occur. The Government shall have the full latitude to direct disbursement of funds in accordance with the SFO and/or to offset the Government's rental obligation to the Lessor. This Tenant Improvement Allowance is included in the rent, with the \$41.50/BOASF being amortized at a rate of 0% over the fifteen-year firm Lease term. If the Government does not utilize the entire Tenant Improvement Allowance included in the rent, the rent shall be adjusted downward using the 0% amortization rate. A mutually agreed upon Supplemental Lease Agreement will be executed upon the Government's acceptance of the space as substantially complete that finalizes the rent using the final Tenant Improvement allowance utilized. The actual cost of the Tenant Improvements will be determined by the competition and cost proposal process as set forth in Paragraph 1.11 "Tenant Improvement Rental Adjustment" and Paragraph 3.2 "Tenant Improvements Pricing Requirements." As Clark Construction Group, LLC is the General Contractor for tenant improvements, competition at the subcontractor level for each trade shall meet the requirements of Paragraph 3.2 (B)(5).

D. In accordance with Paragraph 1.13 "Broker Commission and Commission Credit" of the Lease, Studley, Inc. is the authorized real estate broker representing GSA in connection with this lease transaction. The Lessor and Studley have agreed to a cooperating lease commission of [REDACTED] of the lease value for years 1-10 and [REDACTED] of the lease value for years 11-15 of the fifteen year firm term. The total amount of the commission is [REDACTED]. In accordance with the "Brokerage Commission and Commission Credit" paragraph, Studley, Inc. has agreed to forego [REDACTED] of the commission that it is entitled to receive in connection with this lease transaction ("Commission Credit"). The Commission Credit is [REDACTED] and shall be paid as free rent in equal monthly installments of [REDACTED] during the seventh, eighth, and ninth months of the lease. The Lessor agrees to pay Studley, Inc., 555 13th Street, N.W., Suite 420 East, Washington, DC 20004, the Commission less the Commission Credit in the lump sum amount of [REDACTED], which shall be due to Studley, Inc. upon execution of this Lease by the Government and payable within 30 days of the receipt of an invoice.

Notwithstanding Paragraph 3 of the Standard Form 2, the shell portion of the rental payments due and owing under this lease shall be reduced to fully recapture this Commission Credit. The reduction in shell rent shall commence with the seventh month of the lease term and continue as indicated in this schedule for adjusted Monthly Rent:

Seventh Month's Rental Payment of \$219,160.00 minus prorated Commission Credit of [REDACTED] equals [REDACTED] adjusted Seventh Month's Rent;

Eighth Month's Rental Payment of \$219,160.00 minus prorated Commission Credit of [REDACTED] equals [REDACTED] adjusted Eighth Month's Rent; and



Ninth Month's Rental Payment of \$219,160.00 minus prorated Commission Credit of [REDACTED] equals [REDACTED] adjusted Ninth Month's Rent;

E. For purposes of Paragraphs 3.5 and 3.6 of the SFO, as of the date hereof, the Government's percentage of occupancy is 9.29%, based on occupancy of 54,790 BRSF in a building of 589,916 BRSF. Evidence of payment of taxes shall be furnished as provided by Paragraph 3.5 D of the SFO. Additionally, Paragraph 3.5(B) of the SFO is deleted entirely and the following is inserted in lieu thereof:

"Base year taxes as referred to in this paragraph are stipulated to be \$438,320.00 (\$8.00/BRSF) for the first 12 months of the lease."

F. For purposes of Paragraphs 3.7 and 3.8 of the SFO, as of the date hereof, the operating cost base is \$469,550.30 (\$8.57 per BRSF; \$9.5723055 per BOASF).

G. Pursuant to Paragraph 3.10 "Common Area Factor", the Add-On Factor is determined to be 1.1169551, calculated as follows: 54,790 BRSF/49,053 BOASF.


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H. In connection with the buildout of tenant improvements, the following limits on markups, fees, and design costs shall apply: Offeror's General Contractor's overhead, profit and general conditions shall not exceed 10%, Lessor's overhead, profit, and other management fees shall not exceed 8%, and architectural/engineering (including architectural, mechanical, electrical, plumbing and structural engineering services) costs shall not exceed 5%. The combined total of the foregoing markups and fees shall not exceed 23%. These markups are all subject to the right of the Government to reasonably negotiate individual markups based upon the actual scope of work of the requirement.

I. Pursuant to Paragraph 1.5(C) of the SFO, the Warm Lit Shell Credit, which shall be applicable only to the BOMA office area portion of the leased premises, shall be \$18.50 per BOASF. The Government hereby exercises its option pursuant to Paragraph 1.5 (C) of the SFO to have the Lessor provide a credit of \$907,480.50 (\$18.50 per BOASF * 49,053 BOASF), at no additional cost to the Government, against the total costs of the buildout in lieu of providing the building shell elements set forth in Paragraph 1.5 (C) of the SFO. This cost of this credit shall not be amortized as additional rent and shall not affect the annual rent which shall remain as stated in Paragraph 3 of the SF2.

J. Pursuant to paragraph 7.2 of the SFO, as part of the rental consideration set forth in Paragraph 3 of this SF2, services, utilities, and maintenance shall be provided daily, extending from 7:30 am to 6:30 pm, Monday through Friday, excluding Saturdays, Sundays and federal holidays ("Normal Hours Schedule"). Overtime beyond the above-referenced Normal Hours Schedule shall be provided at rates of (i) \$50.00 per hour for overtime HVAC for the first 1/4th floor and \$8.50 per hour for each additional 1/4th floor or (ii) \$350.00 per hour for overtime HVAC throughout the entire leased premises, and no regularly scheduled overtime service shall be required. A minimum of three hours shall be charged for each usage of hourly overtime that is not consecutive to the Normal Hours Schedule. The foregoing overtime HVAC rates shall escalate in a manner consistent with section 3.7 "Operating Costs" in the SFO. The foregoing overtime HVAC rates are inclusive of all labor, maintenance, service and engineering fees. Notwithstanding the hours of HVAC service, the Government shall have access to the leased space and appurtenant areas at all times without additional payment, including the use, during other than normal hours, of necessary services and utilities such as elevators, toilets, lights, and electric power.

K. The adjustment to the rent for space previously occupied by the Government and then vacated is \$1.00 per BOASF if less than one half floor of space is vacated, \$2.00 per BOASF if one half floor to less than one full floor of space is vacated, \$3.00 per BOASF if one full floor or more, but less than all of the leased premises, is vacated, and \$4.75 per BOASF if the entire leased premises is vacated.

L. As part of the rental consideration and at no additional cost to the Government, Lessor shall cause the following types of amenities to be available and open for business at Constitution Square by the Government's required occupancy date set forth in SFO Paragraph 1.7: one full service bank, one coffee bar/store, two restaurants, one postal facility, and one sundry store/dry cleaner, all as further described in Attachment L hereto. The leased premises shall not be considered substantially complete and the Government shall not be required to accept space until the foregoing amenities are available and open for business. In addition, as part of the rental consideration and at no additional cost to the Government, the Lessor shall provide a 3,100 square foot fitness and exercise center in One Constitution Square, as more fully described in Attachment L hereto, which will be available to Government employees and contractors permanently housed in Two Constitution Square for a nominal charge of initially \$10 per month per person. The fitness center shall be fully equipped with state of the art strength training and aerobics equipment, as more fully described in Attachment L hereto. Provided that approved Working/Construction Drawings completed on or before March 31, 2009 for the Government's tenant improvements within the leased premises in Lease No. GS11B-02012 or in this Lease include a credit union facility, Lessor's obligation to provide a full service bank pursuant to this subparagraph and Attachment L shall be modified so that Lessor is required only to use commercially reasonable efforts to provide a full service bank at Constitution Square.

M. As part of the Lessor's building shell obligation under the Lease, Lessor hereby agrees to obtain a US Green Building Council Leadership in Energy and Environmental Design (LEED) Core and Shell Gold rating no later than lease commencement or as soon thereafter as reasonably possible. The leased premises shall not be considered substantially complete and the Government shall not be required to accept space until either the foregoing LEED Core and Shell Gold certification has been obtained or the Lessor has provided satisfactory evidence to the Government that such certification can and will be obtained within a reasonable period of time.

N. Pursuant to Paragraph 9.6 of the SFO, the Government has full security control over all parking areas, surface or structured. Pursuant to Paragraph 1.3(B) of the SFO, only federal employees shall be permitted to park in any on site parking facility. During the term of the lease, the Government, including Government employees occupying the leased premises, may purchase individual permits separate and apart from the rental due under Paragraph 3 hereof to lease up to 43 parking spaces in the building's garage at annual rates of \$2,640.00 per non-reserved space and \$3,600.00 per reserved space. Under no circumstances, however, will Lessor be required to lease to the Government either

under this Lease or GSA Lease No. GS-11B-02012 a combined total of more than the 365 parking spaces in the entire garage.

O. The Lessor shall not make any substitutions of key personnel set forth in the list attached as Attachment K to this SF 2 without the advanced written permission of the Government. Substitutions will only be permitted where the Lessor can demonstrate to the satisfaction of the Government that the proposed substitution has qualifications and experience equal to or greater than the individual being replaced.

P. Upon request of the Government, Lessor agrees to furnish an updated SFO Attachment #4 for Fire Protection and Life Safety Evaluation. Lessor shall ensure and provide as necessary at Lessor's expense, all Fire and Life Safety improvements of this SFO to ensure that the building meets all local and national codes including NFPA 101. Lessor agrees to make improvements specified as part of the Attachment #4 and as recommended by GSA fire safety review. All improvements must be made prior to the Government's acceptance of space.

Q. Prior to occupancy, Lessor agrees to furnish a seismic certification showing that the building construction fully complies with section 2.2 "Accessibility and Seismic Safety" of the SFO.

R. The schedule attached as Attachment N to the Lease (Schedule) is the schedule for the design, construction and delivery of the space for all purposes, and supersedes the timeframes otherwise set forth in the SFO. Should either the Government or the Lessor fail to discharge their responsibilities as defined herein within the time allocated under the agreed upon construction schedule, such shall constitute "delay". Delay caused by either party may be offset by the early completion of that party's other responsibilities within the schedule. The absolute value of the number of days of one party's delay minus the number of days of the remaining party's delays shall equal the total number of days of delay for a given stage of the schedule. Delay in substantial completion shall then be attributable to the party having caused the greatest number of days of delay and shall be termed either "Government Delay" or "Lessor Delay" as appropriate.

If Government Delay occurs, then the rent commencement date shall be the same number of days earlier than the acceptance date as the number of days of Government Delay. Any rental paid by the Government prior to actual occupancy shall be less the cost for services and utilities (Base Cost of Services per line 27 of the Form 1217) of the vacant premises. In any event, the Government will not be required to accept space and commence rent prior to the original date as indicated in the "Occupancy Date" paragraph of the SFO, unless otherwise agreed to by the Government. Each day of Lessor Delay will be governed by Paragraph 3.13 of the SFO.

S. The following shall be inserted at the end of General Clause 17:

"In addition to the provision set forth above, the Government agrees not to exercise its option to terminate the lease in the event of partial damage or destruction so long as Lessor is diligently prosecuting the repair and restoration, and all of the following conditions are met:

1. The remainder of the Premises are tenantable and may be used for the purpose for which they were leased;
2. Lessor can demonstrate to the Government's satisfaction that the repair or restoration of the Premises to the condition that existed immediately prior to the damage or destruction can be substantially completed and the Premises reoccupied within 365 days of the damage or destruction and without unreasonable interference to the occupancy of the remainder of the Premises; and
3. Lessor gives the Government a credit for the rent paid by the Government for substitute space in excess of the rent for the same amount of space that would have been due under this lease, and reimburses the Government for its costs to move and return to the leased space."

T. Prior to exercising a right to terminate the lease under General Clause 11 or 16(a), the Government will provide Lessor with written notice of the default and use reasonable efforts to provide the notice to the Lender (as long as the Government is provided with the address for notification to the Lender), which notice shall provide Lessor and its Lender with at least a thirty (30) day period in which to cure the default. In addition, prior to exercising a right to terminate the Lease under General Clause 11 or 16 (a) (1), the Government shall provide Lessor and its Lender with such additional time to cure the default as is necessary provided that Lessor shows that (1) it is diligently prosecuting the work required to cure the default, and (2) the default will be cured within a reasonable period of time, not to exceed a total of one hundred and twenty (120) days, as determined by the Government. Any such additional time to cure the default shall be conditioned upon Lessor's continuing to diligently pursue the cure of the default throughout the period

and upon a demonstration by the Lessor to the reasonable satisfaction of the Contracting Officer through the submission of a detailed schedule and construction management plan (including, if necessary, the use of double shifts, overtime, expedited shipping, and other appropriate acceleration strategies) that the default can be cured within a reasonable period of time which shall not exceed 120 days. Notwithstanding the opportunity to cure a default as provided herein, Lessor shall remain liable for any damages that result from its failure to perform its obligations in accordance with the Lease.

U. In giving or withholding its reasonable consent to assignment under General Clause 2, the Lessor may consider the creditworthiness of the proposed assignee and its comparability to Government's as viewed by the financing markets, and the purpose for which the assignee will use the space. The Government shall notify Lessor within 10 days of any subletting.

V. In the event of a conflict between this SF2 and any other documents that comprise the Lease, the SF2 shall govern.

7. The following are attached and made a part hereof:

- A. Floor Plans of the Leased Premises and Site Plans - 5 pages
- B. Solicitation For Offers No. 09-008- 61 pages
- C. Attachment # 1 to SFO, Rate Structure - 2 pages
- D. Attachment #4 Fire Life Safety Evaluation - 11 pages
- E. Seismic Certification - 1 page
- F. Pre-Lease Building Security Plan - 8 pages
- G. GSA Form 1217 - 2 pages
- H. GSA Form 3517 - 33 pages
- I. GSA Form 3518 - 7 pages
- J. Small Business Subcontracting Plan - 16 pages
- K. List of Key Personnel - 1 page
- L. Constitution Square Retail and Amenity Commitment - 2 pages
- M. Proposal narratives regarding Quality of Building Architecture, Building Systems, Construction and Finishes and Planning Efficiency and Flexibility - 10 pages
- N. Schedule for Design, Construction and Delivery

8. The following changes were made in this lease prior to its execution:

Paragraphs 4 and 5 have been deleted in the entirety. SFO Attachments 2 and 3 have been intentionally omitted.

IN WITNESS WHEREOF, the parties hereto have hereunto subscribed their names as of the date first above written.

Lessor: **CS MASTER V, LLC**

By: CS Investors V, LLC, its sole member

By: S/C Square 711, LLC, its administrative member

By: 

Douglas M. Firstenberg, Managing Member

IN PRESENCE OF



ADDRESS 4733 Bethesda Ave #800
Bethesda, Md 20814

UNITED STATES OF AMERICA

BY 

CONTRACTING OFFICER

Joel T. Berelso