

U.S. GOVERNMENT
LEASE FOR REAL PROPERTY

DATE OF LEASE: **AUG 12 2009**

LEASE No. GS-11B-02126

THIS LEASE, made and entered into this date between **Southeast Realty, LLC**
c/o Lerner Enterprises
2000 Tower Oaks Boulevard, 8th Floor
Rockville, MD 20852

whose address is

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 94,435 Rentable Square Feet (RSF) (yielding approximately 84,447 BOMA Office Area Square Feet (BOASF)) consisting of 18,152 RSF (16,433 BOASF) located on the entire 2nd floor, 19,064 RSF (16,997 BOASF) located on the entire 3rd floor, 19,069 RSF (17,001 BOASF) located on the entire 4th floor, 19,073 RSF (17,006 BOASF) located on the entire 5th floor and 19,077 RSF (17,010 BOASF) located on the entire 6th floor in the building located at 20 M Street, S.E., Washington, DC 20003 to be used for SUCH OFFICE AND RELATED PURPOSES AS DETERMINED BY THE GOVERNMENT (See Exhibit A – Floor plans of leased premises) together with four (4) reserved parking spaces in the building's underground parking garage as required by SFO Paragraph 1.1(B).

2. TO HAVE AND TO HOLD the said premises with their appurtenances for the term commencing in accordance with the terms of SFO # 09-014 and the General Clauses and continuing for 10 years from the commencement date.

3. The Government shall pay the Lessor annual rent of \$3,469,927.23 (\$36.7440804/BRSF; \$41.09/BOASF) at the rate of \$289,160.60 per month in arrears. Rent for a lesser period shall be prorated. Rent checks shall be made payable to: Southeast Realty, LLC, c/o Lerner Enterprises, 2000 Tower Oaks Boulevard, 8th Floor, Rockville, MD 20852 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 \$3,269,157.23 applied as follows: (a) rent for the first 9.6 months of the lease term (inclusive of operating costs and amortization of the tenant improvement allowance) in the total amount of \$2,775,941.78 shall be abated entirely; and (b) a portion of the monthly shell rent shall be partially abated during the 11th, 12th, and 13th months of the lease term, in equal monthly amounts of \$164,405.15, for a total amount of \$493,215.45, as more fully set forth in paragraph 6(E) below.

4. Intentionally Deleted

5. Intentionally Deleted


LESSOR / GOVT
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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 in the rent.

B. The Lessor shall provide to the Government a Tenant Improvement Allowance in the amount of \$3,553,529.76 (\$42.08/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 \$42.08/BOASF being amortized at a rate of 0% over the ten-year 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. The Government shall be entitled, at its option, to amortize the cost of initial tenant improvements in excess of the foregoing Tenant Improvement Allowance at an 8% 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 3.3 "Tenant Improvement Rental Adjustment" and Paragraph 5.5 "Tenant Improvements Pricing Requirements," with the understanding that bidding shall take place at the General Contractor or trade/subcontractor level. Any work items provided by the General Contractor, or for which there is not adequate competition at the trade/subcontractor level, shall be subject to the Government's review of cost and pricing data.

C. Lessor and the Government shall confer and agree upon a schedule for the design, construction, and delivery of the leased premises that is consistent with the timeframes set forth in sections "A" through "I" of SFO Paragraph 5.14. Delays by the city in issuance of a building permit after the Lessor has applied for a permit with all due diligence and delays by city inspectors in completing inspections necessary to issue the Certificate of Occupancy for the building will be considered excusable delay. Lessor shall provide the Government with copies of all applications for permits and requests for inspections.

D. The following limits on markups shall apply to all tenant improvements pertaining to the initial buildout of the space, including change orders: Offeror's General Contractor's fee shall be [REDACTED] Lessor's overhead, profit, and project management fees shall be [REDACTED] general conditions shall be [REDACTED] and architectural/engineering cost shall be [REDACTED]. The combined total of the foregoing markups and fees shall be [REDACTED].

E. In accordance with Paragraph 2.5 "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 the ten (10) year firm term. The total amount of the commission is [REDACTED]. In accordance with the "Broker 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 months 11, 12, and 13 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 11th month of the rental payments and continue as indicated in this schedule for adjusted Monthly Rent:

Eleventh (11th) Month's Rental Payment of \$289,160.60 minus prorated Commission Credit of [REDACTED] equals [REDACTED] adjusted Eleventh Month's Rent.

Twelfth (12th) Month's Rental Payment of \$289,160.60 minus prorated Commission Credit of [REDACTED] equals [REDACTED] adjusted Twelfth Month's Rent.

Thirteenth (13th) Month's Rental Payment of \$289,160.60 minus prorated Commission Credit of [REDACTED] equals [REDACTED] adjusted Thirteenth Month's Rent.

F. For purposes of Paragraph 4.2 of the SFO, as of the date hereof, the Government's percentage of occupancy is 49.37%, based on occupancy of 94,435 RSF in a building of 191,294 RSF. If any tax credit is due to the Government as a result of Lessor's appeal of the tax assessment during the lease term, the credit to the

Government shall be net of the Government's percentage of occupancy share of the reasonable costs of the appeal.

G. For purposes of Paragraph 4.3 of the SFO, as of the date hereof, the operating cost base is \$911,183.13 (\$9.6487863 per RSF; \$10.79 per BOASF).

H. Pursuant to Paragraph 4.1(C), the Common Area Factor is determined to be 1.118275368, calculated as follows: 94,435 RSF/84,447 BOASF.

I. Pursuant to Paragraph 1.2(D) of the SFO, the Warm Lit Shell Credit shall be \$17.36 per BOASF. If the notice is given after the drawings for the build out have been completed the credit will be reduced by .55/BOASF to \$16.81. The foregoing Warm Lit Shell Credit is exclusive of the value of the following currently installed items, which shall remain the Lessor's responsibility regardless of whether the Government exercises its option for a Warm Lit Shell Credit: sprinklers (main, branch, and heads), fire detection and alarms, and HVAC (trunk line and 6 VAV boxes per floor).

J. Pursuant to paragraph 4.5 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 7:00 am to 6:00 pm, Monday through Friday, excluding Saturdays, Sundays and federal holidays ("Normal Hours Schedule"). Additional overtime beyond the above-referenced Normal Hours Schedule shall be provided at rates of (i) \$50.00 per hour for one floor and (ii) \$17.00 per hour for each additional floor. 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. Pursuant to paragraph 4.8(A) of the SFO, the Government shall have the continuing right, exercisable at any time throughout the lease term, to require that after-hours cleaning be converted to daytime cleaning at an additional cost of \$0.75 per BOASF.

L. Lessor shall ensure and provide as necessary, at Lessor's expense, all Fire and Life Safety improvements required by the SFO, and ensure that the building meets all local and national codes, including NFPA 101. Without limiting the foregoing, Lessor agrees to make improvements specified as part of the attached "Prelease Fire Protection and Life Safety Evaluation". All improvements must be made prior to the Government's acceptance of space.

M. The Government shall have the Right of First Offer from the time of Lease execution to the time of Government occupancy (but no later than January 31, 2010) with respect to up to approximately 20,000 RSF located on the seventh (7th) floor of the building (the "Right of First Offer Space"). Lessor shall inform the Government periodically as space either i) becomes available on a contiguous basis in an amount of up to 20,000 RSF, and/or ii) if the previously described Right of First Offer Space remains available. Lessor shall not be precluded from offering the Right of First Offer space to other government or private sector tenants. The Right of First Offer space shall be available to the Government on the same terms and conditions as the base lease, but in no case shall the lease term applicable to the Right of First Offer Space be less than ten (10) years.

N. 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. Exhibit A - Floor Plans of the Leased Area, 5 pages
- B. Solicitation For Offers No. 09-014, as amended, 59 pages
- C. Pre-Lease Fire Protection and Life Safety Evaluation - 9 pages
- D. Pre-Lease Building Security Plan, 16 pages
- E. Seismic Certification, 8 pages
- F. GSA Form 1217 - Lessor's Annual Cost Statement, 1 page
- G. GSA Form 3517 - General Clauses, 33 pages
- H. GSA Form 3518 - Representations and Certifications, 7 pages
- I. Small Business Subcontracting Plan, 13 pages
- J. Program of Requirements, 191 pages

8. The following changes were made in this lease prior to its execution:
Paragraphs 4 and 5 have been deleted in their entirety.

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

Lessor: **SOUTHEAST REALTY, LLC** a Delaware limited liability company

By: Admiral Partners, LLC, its sole Manager

By: Lerner Enterprises, LLC, its Managing Member

By: 

Mark D. Lerner, Manager

IN PRESENCE
OF 

ADDRESS

2000 Tower Oaks Boulevard,
Rockville, MD. 20852

UNITED STATES OF AMERICA

BY 

CONTRACTING OFFICER