



ARLINGTON COUNTY, VA

County Board Agenda Item
May 22, 2010

DATE: April 28, 2010

SUBJECT: Approval of a Storage Space Deed of Lease, between VNO Courthouse II LLC, as Landlord, and The County Board of Arlington County, Virginia, as Tenant, for storage space in Courthouse Plaza Office Building II, on the G-1 Level at 2300 Clarendon Blvd., Arlington, Virginia 22202 (RPC # 18005041).

C. M. RECOMMENDATIONS:

1. Approve the Storage Space Deed of Lease between VNO Courthouse II LLC, as Landlord, and The County Board of Arlington County, Virginia, as Tenant, for storage space in the building known as Courthouse Plaza Office Building II, on the G-1 Level at 2300 Clarendon Blvd., Arlington, Virginia 22202 (RPC # 18005041).
2. Authorize the Real Estate Bureau Chief, or his designee, to execute, on behalf of the County Board, the Storage Space Deed of Lease, and all related documents, subject to approval as to form by the County Attorney.

ISSUE: As a part of the lease approval process, the County Board is being requested to approve and authorize the execution of the attached Storage Space Deed of Lease ("Lease") (see Attachment 1) for new storage space at Courthouse Plaza (see Exhibit A - Floor Plan of the Demised Premises). There are no issues related to this request.

SUMMARY: By the County Board approving this new Lease for storage space, after it is executed, effective on June 1, 2010, the County will have use of the total of 1,543 square feet of storage space on the G-1 Level of 2300 Clarendon Blvd. The Department of Environmental Services ("DES"), Engineering and Capital Projects Division ("EC&P"), Facility Construction and Design Section ("FC&D") will use this space for storage, the need for which arises, in part, from ongoing office reconfiguration and repair. Subject to certain provisions in the Lease, and in the Amended and Restated Office Building Deed of Lease dated October 23, 2002 ("Office

County Manager: BMD/MAA

County Attorney: BAK/SAC

23.

Staff: Linda DePersis, DES-Real Estate Bureau, and John Shimek, DES-Facilities Design and Planning

Building Lease"), the County also has the option of converting all, or a portion of, the space to an exercise room.

BACKGROUND: The County is currently storing a portion of its replacement inventory items, such as carpet tiles, parts for cabinets, doors, electrical and mechanical equipment, wallpaper, and systems furniture for modifications to systems furniture ("Building Stock") off-site, in a County-owned building. This remote storage space is shared, between DES/EC&P-FD&C and DES/EC&P-Facilities Management Bureau, for storing Building Stock, which cannot be easily replaced due to the manufacture's discontinuance of these products. For these reasons, additional space is needed by the County for Building Stock use in the future. By being able to store the Building Stock on-site, County staff will be able to make more timely repairs and modifications to County property.

DISCUSSION: The attached documents have been structured to provide a commercially viable agreement to protect the County's rights and needs as a local government. Some of the pertinent provisions of the Lease are as follows:

- The Lease shall commence on June 1, 2010.
- The storage space consists of 1,543 square feet.
- The storage space may be converted to a County exercise room, which may include, but is not limited to, aerobics, stair stepping and yoga classes for County staff.
- Rent shall be abated for two (2) years, from the Lease Commencement Date through July 31, 2012, as long as the storage space is not converted to an exercise room ("Abatement Period").
- No additional fees will be charged to the County for operating expenses and real estate taxes, as long as the space is not converted to an exercise room.
- The rental rates match with the per square foot per annum rates shown in the First Amendment to Office Building Storage Space Lease, dated July 27, 2004.
- The rental rate increases by 4 percent per year, which is the same increase shown in the First Amendment to Office Building Storage Space Lease, dated July 27, 2004.
- The Lease is coterminous with the Office Building Lease for office space at 2100 Clarendon Blvd. The Lease will expire on September 30, 2018.

FISCAL IMPACT: If the space is utilized as a storage area, there are no costs to the County for two years due to the Abatement Period. Once the Abatement Period ends, the initial annual cost to the County will be approximately \$30,000 for Base Annual Rent (as shown in Attachment 1, in Section 1.5, on Charts 1 and 2) over the term of the Lease. Future lease costs for this space will be included in the building rent budget for Courthouse Plaza in subsequent fiscal years.

**OFFICE BUILDING
STORAGE SPACE LEASE**

FOR

**THE COUNTY BOARD OF ARLINGTON
COUNTY, VIRGINIA**

AT

**ARLINGTON COURTHOUSE PLAZA II
Arlington, Virginia 22201**

**VORNADO/CHARLES E. SMITH L.P.
2345 Crystal Drive
Crystal City
Arlington, Virginia 22202**

VORNADO
CHARLES E. SMITH

This Storage Space Deed of Lease (this "Lease"), made this 17th day of May, 2010, by and between VNO COURTHOUSE II LLC, a Delaware limited liability company (hereinafter called "Landlord") and THE COUNTY BOARD OF ARLINGTON COUNTY, VIRGINIA, a body politic (hereinafter called "Tenant") (jointly, the "Parties").

Landlord, for and in consideration of the covenants and agreements set forth hereinafter, leases to Tenant and Tenant leases from Landlord, the Demised Premises hereinafter described, for the use set forth and for the term and at the rent reserved herein.

- 1.1 DEMISED PREMISES:** Storage Rooms S107 and S108, consisting of a total of approximately 1,543 square feet, located on the G-1 level as shown on Exhibit A attached hereto and made a part hereof by reference.
- 1.2 BUILDING:** ARLINGTON COURTHOUSE PLAZA II
- 1.3 ADDRESS:** 2300 Clarendon Boulevard
Arlington, Virginia 22201
- 1.4 TERM OF LEASE:** The term of this Lease for the Demised Premises shall commence on June 1, 2010 (the "Lease Commencement Date"), and shall continue until September 30, 2018 (the "Expiration Date"). In the event that Landlord is unable for any reason to deliver possession of the Demised Premises to Tenant by the stated Lease Commencement Date, Landlord, its agents and employees, shall not be liable or responsible for any claims, damages or liabilities arising in connection therewith or by reason thereof, nor shall Tenant be excused or released from this Lease. The Lease Commencement Date and Abatement Period shall be extended, however, to the date that Landlord delivers possession of the Demised Premises to Tenant, and Tenant's obligations, including the payment of rent pursuant to this Lease, shall commence thereon. Upon the occurrence of the Lease Commencement Date, Landlord and Tenant shall execute the Declaration attached hereto as Exhibit B, confirming the date of the Lease Commencement Date. The failure of the Parties to execute such Declaration shall have no effect on the validity of the Lease Commencement Date or this Lease. Notwithstanding the foregoing or any other term or condition of this Lease to the contrary, in the event that Landlord fails to deliver the Demised Premises to Tenant pursuant to the terms of this Lease by July 1, 2010, Tenant shall have the right, in addition to all other remedies at law or equity, to terminate this Lease upon written notice to Landlord.
- 1.5 BASE ANNUAL RENT:** (a) Commencing on the Lease Commencement Date, Tenant shall pay Landlord for the Demised Premises, Base Annual Rent at a rate equal to Eighteen and 25/100 Dollars (\$18.25) per square foot of the Demised Premises per annum, full service, payable in advance in equal monthly installments due on the first day of each calendar month of the term of this Lease. The first monthly installment of Base Annual Rent with respect to the Demised Premises shall be due on the Lease Commencement Date. For any partial calendar month at the beginning of the Term of Lease, Base Annual Rent for the Demised Premises shall be computed on a per diem basis of 1/30th of the monthly installment for each day of such partial calendar month. On August 1, 2010, and on each subsequent anniversary thereof, Base Annual Rent for the Demised Premises shall be increased by four percent (4%) of the Base Annual Rent for the Demised Premises payable for the immediately preceding lease year, pursuant to the following schedule ("**Chart 1**"):

Chart 1

Time Period	Rent Per Sq. Ft.	Base Annual Rent	Monthly Rent
Lease Commencement Date - 7/31/10	\$18.25	\$28,162.84	\$2,346.90
8/1/10 - 7/31/11	\$18.98	\$29,289.35	\$2,440.78
8/1/11 - 7/31/12	\$19.74	\$30,460.92	\$2,538.41
8/1/12 - 7/31/13	\$20.53	\$31,679.36	\$2,639.95
8/1/13 - 7/31/14	\$21.35	\$32,946.53	\$2,745.54
8/1/14 - 7/31/15	\$22.21	\$34,264.40	\$2,855.37
8/1/15 - 7/31/16	\$23.09	\$35,634.97	\$2,969.58
8/1/16 - 7/31/17	\$24.02	\$37,060.37	\$3,088.36
8/1/17 - 7/31/18	\$24.98	\$38,542.79	\$3,211.90
8/1/18 - 9/30/18	\$25.98	\$40,084.50	\$3,340.37

(b) Notwithstanding the foregoing, so long as Tenant uses the Demised Premises for use only as storage space pursuant to Section 2.1 of the Lease, the Landlord shall abate all Base Annual Rent due from the Tenant for the period commencing on the Lease Commencement Date from the Lease Commencement Date through May 31, 2012 (the "Abatement Period") as shown on Chart 2 below. Should Tenant change the use of all or any portion of the Demised Premises during the Abatement Period, then the Abatement Period shall terminate as to the portion of the Demised Premises whose use has been changed, and Tenant shall commence to pay Base Annual Rent at the then escalated rate pursuant to the above referenced schedule for the converted space.

Chart 2

Time Period	Rent Per Sq. Ft.	Base Annual Rent	Monthly Rent
Lease Commencement Date - 5/31/12	Abated	Abated	Abated
6/1/12 - 7/31/12	\$19.74	\$30,460.92	\$2,538.41
8/1/12 - 7/31/13	\$20.53	\$31,679.36	\$2,639.95
8/1/13 - 7/31/14	\$21.35	\$32,946.53	\$2,745.54
8/1/14 - 7/31/15	\$22.21	\$34,264.40	\$2,855.37
8/1/15 - 7/31/16	\$23.09	\$35,634.97	\$2,969.58
8/1/16 - 7/31/17	\$24.02	\$37,060.37	\$3,088.36
8/1/17 - 7/31/18	\$24.98	\$38,542.79	\$3,211.90
8/1/18 - 9/30/18	\$25.98	\$40,084.50	\$3,340.37

- 1.6 IMPROVEMENTS:** Tenant shall accept the Demised Premises in its "as is," but broom clean, condition existing as of the Lease Commencement Date.
- 1.7 CONVERSION OF USE:** Notwithstanding Section 2 (entitled "Use of Demised Premises") of the Lease, Landlord agrees that Tenant may, and has the absolute right, at anytime during the Term for the Demised Premises to convert all or any portion of the Demised Premises to use as an exercise room for, including but not limited to, aerobics, stair stepping and yoga classes for Tenant's staff (the "Conversion"), provided that Tenant shall provide prior written notice to Landlord of the conversion and that any remodeling or alterations performed by Tenant in the converted portion of the Demised Premises shall be performed in accordance with the terms and conditions of this Lease, and to the extent such provisions are not in conflict with this Lease, in accordance with Sections 6.4(a) and 6.4(b) of the Amended and Restated Office Building Deed of Lease between CESC One Courthouse Plaza L.L.C. and Tenant dated October 23, 2002 for office space in Arlington Courthouse Plaza I, as currently amended (the "Office Lease"). In the event Tenant converts the Demised Premises for use as an exercise room, pursuant to this Section 1.7, Landlord shall permit Tenant to install, at Tenant's sole cost and expense an access door between the Demised

Premises and the fitness center, if any, then operated by Landlord for the benefit of the tenants in the Building, in the adjoining space. Such door shall be placed in a location to be mutually agreed upon by Landlord and Tenant, and shall be removed by Tenant at Landlord's request upon the expiration or earlier termination of this Lease. In the event that Tenant does convert the Demised Premises for use as an exercise room, then Tenant shall install a card reader or similar electronic access control system on all entrances to the Demised Premises, such that access to the Demised Premises and access from the Demised Premises to the Landlord's fitness center, if any, is restricted to authorized personnel of Tenant and Landlord only and not to the general public. Nothing herein shall be deemed to impose any obligation upon Landlord to operate or to continue to operate any fitness center for tenants. Any such converted use must be in accordance with all requirements of law. The parties agree that the use of the Landlord's fitness center, if any, is limited to personnel actually working in the Complex.

1.8 ADDITIONAL RENT:

In the event Tenant converts all or any portion of the Demised Premises, at anytime during the Term of this Lease to use as an exercise room in accordance with Section 1.7, Tenant, after completion of the Conversion improvements by or on behalf of Tenant and upon the commencement of such converted use (as reasonably determined by Landlord) shall pay its pro-rata share of Operating Expenses and Real Estate Taxes for the Building in excess of the Operating Expenses and Real Estate Taxes of the Building for the Base Year. For the purposes of this Section 1.8, the terms "Additional Rent", "Operating Expenses", and "Real Estates Taxes" shall have the definitions used in Exhibit C which is attached hereto and incorporated by reference herein. Tenant's Pro-Rata Share of Operating Expenses and Real Estate Taxes shall be calculated as set forth in Paragraph 5 of Exhibit C based on the ratio of the portion of the Demised Premises converted to the rentable area of the Building, and the Base Year shall be Landlord's fiscal year ending on December 31 in the calendar year in which Tenant converts all or any portion of the Demised Premises for use as an exercise room. Such Additional Rent shall be paid and calculated in the same manner as set forth in Exhibit C, which section shall be deemed incorporated herein by reference as if fully set forth.

1.9 BROKERAGE:

Tenant represents and warrants that it did not retain any broker, agent or real estate salesperson with respect to carrying out negotiations or any other dealings related to this Lease. Landlord represents and warrants that it retained Vornado/Charles E. Smith L.P., as its property management agent ("Agent"). Landlord, and not Tenant, shall compensate Agent according to a separate agreement. Landlord shall hold Tenant harmless from any claims arising out of Landlord's agreement with Broker. Additionally, Landlord agrees to pay all commissions and costs to any and all other brokers or agents entitled to any commission or compensation in connection with this Lease pursuant to the terms of separate agreements (provided such agreements were not entered into by Tenant), and Landlord shall hold Tenant harmless therefrom.

1.10 APPLICABLE LAW:

This Lease shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia. The Parties hereto agree that all disputes arising hereunder shall be brought in the Circuit Court of Arlington County, Virginia, which shall be the proper forum for any dispute arising hereunder, and in no other courts. The unenforceability, invalidity, or illegality of any provision herein shall not render any other provision herein unenforceable, invalid, or illegal. Landlord shall comply with federal, state and local laws, ordinances and regulations applicable to the Building in connection with Landlord's operation, maintenance and repair of the Building.

1.11 ADDRESS FOR NOTICES

TO TENANT: The County Board of Arlington County, Virginia
2100 Clarendon Boulevard, Suite 302
Arlington, Virginia 22201
Attn: County Manager

With a copy to: Arlington County, Virginia
Department of Environmental Services
Engineering and Capital Projects Division
2100 Clarendon Boulevard, Suite 800
Arlington, Virginia 22201
Attn: Real Estate Bureau Chief

1.12 ADDRESS FOR NOTICES

TO LANDLORD: VNO Courthouse II LLC
c/o Vornado/Charles E. Smith L.P.
2345 Crystal Drive
Suite 1000
Arlington, Virginia 22202
Attention: President

and to:

VNO Courthouse II LLC
c/o Vornado Realty Trust
210 Route 4 East
Paramus, New Jersey 07652
Attention: Chief Financial Officer

With a copy to:

VNO Courthouse II LLC
c/o Vornado/Charles E. Smith L.P.
2345 Crystal Drive
Suite 1000
Arlington, Virginia 22202
Attention: Chief Operating Officer

Address for Landlord's Resident Agent in Virginia:
(for service of legal process, notice, order or demand required
or permitted by law)

CT Corporation System
4701 Cox Road
Suite 301
Glen Allen, Virginia 23060

**1.13 ADDRESS FOR PAYMENT
OF RENT:**

VNO Courthouse II LLC
c/o Vornado/Charles E. Smith L.P.
P.O. Box 642085
Pittsburgh, Pennsylvania 15264-2085

1.14 ALTERATIONS:

In Section 6.2 of the General Provisions hereof, delete the last two (2)
sentences entirely, and insert the following:

"Tenant will keep the Demised Premises and the fixtures
and equipment therein in good order and condition, will
suffer no waste or injury thereto, and will, at the expiration
or other termination of the term hereof, surrender and
deliver up the same in like good order and condition as the
Demised Premises shall be at the commencement of the
term of this Lease, ordinary wear and tear, acts of God, and
casualty not caused by the gross negligence or willful

misconduct of Tenant excepted; provided, however, Tenant shall have no obligation to remove any Landlord approved improvements or changes made in or to the Demised Premises after the Conversion, except as provided in Section 1.7.”

- 1.15 TENANT EQUIPMENT:** In Section 9.1 of the General Provisions hereof, in the first line, after the second ‘equipment’ insert “solely serving the Demised Premises”.
- 1.16 PERSONAL PROPERTY:** In Section 14.1 of the General Provisions hereof, at the end of the first sentence, delete the period and insert “unless caused by, or due to the fault or negligence of, Landlord, its agents or employees.” and delete the remainder of the paragraph.
- 1.17 WAIVER OF SUBROGATION:** Notwithstanding anything to the contrary contained herein, Landlord and Tenant hereby mutually waive and release their respective rights of recovery against each other for any loss of its property (in excess of a deductible amount for each of Landlord and Tenant that is reasonable in light of the size and status of each of Landlord and Tenant and applicable market conditions) capable of being insured against by fire and extended coverage insurance or any insurance policy providing property damage coverage, whether carried or not. Each party shall apply to its insurer to obtain said waiver and obtain any special endorsement, if required by its insurer to evidence compliance with the aforementioned waiver, and shall bear the cost therefor.
- 1.18 LIABILITY:** In Section 15.1 of the General Provisions hereof, in the fourth line, after ‘Demised Premises’ delete the period and insert “unless caused by or due to the fault or negligence of Landlord, its agents or employees.” and delete the remainder of the paragraph.
- 1.19 SUBORDINATION:** In Section 20.1 of the General Provisions hereof, in the fifth line, delete ‘promptly any’ and substitute “within thirty (30) days of receipt of a certificate, in a form reasonably acceptable to Tenant, execute such certificate”.
- 1.20 NON-APPROPRIATION:** (a) Notwithstanding any other term or condition of this Lease, all of Tenant’s obligations under this Lease are subject to appropriation of funds by the County Board of Arlington County, Virginia for the specific purpose of satisfying the payment and performance of such obligations. In the event that funds are not appropriated at the beginning of any Tenant’s fiscal year for the specific purpose of satisfying the obligations of the Tenant under this Lease, then this Lease shall become null and void and shall terminate on the last day of the Tenant’s fiscal year for which appropriations were received for such purpose, without any termination fee or other liability whatsoever to the Tenant. If funds for the Tenant’s obligations under this Lease are not appropriated, then the Tenant shall vacate the Demised Premises prior to the beginning of the Tenant’s next fiscal year.
- (b) It is agreed by both Landlord and Tenant that, notwithstanding any provision in this Lease to the contrary, this clause shall supersede any and all obligations imposed by any other provision of this Lease or the Exhibits or any Addenda hereto. No subsequent Amendment of, or Addendum to, this Lease shall compromise the full legal implication of this Section between the Parties hereto or their respective successors or assigns.

1.21 GENERAL PROVISIONS:

The attached General Provisions, revised as described above, are incorporated into this Lease.

IN WITNESS WHEREOF, Landlord has caused these presents to be signed by one or more of its general partners or Trustees, and the Tenant has caused these presents to be signed in its legal name by its duly authorized officer and duly witnessed.

WITNESS FOR LANDLORD:

LANDLORD: VNO COURTHOUSE II LLC

By: CESC Two Courthouse Plaza Limited Partnership,
its Sole Member

By: CESC Two Courthouse Plaza Manager L.L.C.,
its general partner



By:  (SEAL)

Name: Mitchell N. Schear
Title: Executive Vice President
Date: 05/12/10

WITNESS FOR TENANT:

TENANT: THE COUNTY BOARD OF ARLINGTON COUNTY, VIRGINIA, a body politic

By: _____ (SEAL)

Name: _____
Title: _____

Approved as to form:

County Attorney

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**STORAGE SPACE DEED OF LEASE
GENERAL PROVISIONS**

2. USE OF DEMISED PREMISES

2.1 Subject to the conversion of use right provided to Tenant pursuant to Section 1.7 above, Tenant shall use and occupy the Demised Premises for storage of office files, supplies, furniture and equipment and for no other purpose whatsoever without the prior written consent of Landlord which may be withheld in Landlord's sole and absolute discretion. Further, any other use of the Demised Premises shall be deemed a default under this Lease and shall immediately terminate this Lease.

3. UPKEEP OF DEMISED PREMISES

3.1 Tenant agrees that it will keep the Demised Premises and the fixtures therein in good order and condition, and will, at the expiration or other termination of the Term of Lease, surrender and deliver up the same in like good order and condition as the same now are or shall be on the Lease Commencement Date of the Term of Lease, ordinary wear and tear, and damage by the elements, fire and other casualty not caused by the gross negligence or willful misconduct of Tenant excepted; provided, however, Tenant shall have no obligation to remove any Landlord approved improvements or changes made in or to the Demised Premises after the Conversion, except as provided in Section 1.7.

4. SUBLETTING AND ASSIGNMENT

4.1 Tenant shall not sublet the Demised Premises or any part thereof nor transfer possession or occupancy thereof to any person, firm, entity or corporation nor transfer or assign this Lease without the prior written consent of Landlord, which consent shall be in Landlord's sole discretion to give or withhold.

5. INSURANCE, INDEMNITY AND LIABILITY

5.1 Tenant Insurance.

(a) **Liability Insurance.** During the Lease Term, Tenant at its sole cost shall maintain commercial general liability and property damage insurance which includes coverage for personal injury and death, property damage, advertising injury, completed operations and products coverage, and shall further maintain comprehensive automobile liability insurance covering automobiles owned by Tenant, with at least a single combined liability and property damage limit of \$1,000,000.00 insuring against all liability of Tenant and its authorized representatives arising out of or in connection with Tenant's use or occupancy of the Demised Premises and the business conducted therein. Landlord and Landlord's Agent shall be named as additional insureds on all purchased insurance policies required by this Section 5. All public liability insurance and property damage insurance shall insure Landlord and Landlord's Agent with coverage no less in scope than that necessary to meet Tenant's obligations outlined in the indemnity provisions set forth elsewhere in this Lease. The policy shall contain an assumed contractual liability endorsement that refers expressly to this Lease.

(b) **Property Insurance.** During the Term, Tenant, at its cost, shall maintain fire and extended coverage insurance on all special or above building standard work and all other contents of the Demised Premises in an amount sufficient so that no coinsurance penalty will be applied in case of loss.

(c) **Policy Requirements.** All insurance required under this Lease shall be issued by insurance companies authorized to do business in the jurisdiction where the Building is located. Such companies shall have a policyholder rating of at least "A" and be assigned a financial size category of at least "Class X" as rated in the most recent edition of "Best's Key Rating Guide" for insurance companies. If at any time during the Lease Term the rating of any of Tenant's insurance carriers is reduced below the rating required pursuant to the terms hereof, Tenant shall promptly replace the insurance coverage(s) maintained with such carrier with coverage(s) from a carrier whose rating complies with the foregoing requirements. If the Best's Key Rating Guide is discontinued or revised without substitution of a comparable rating system, Landlord shall reasonably determine its satisfaction with the insurance company issuing Tenant's policies. Each policy shall contain an endorsement requiring fifteen (15) days written notice from the insurance company to Landlord before cancellation or any change decreasing coverage, scope or amount of such policy and an endorsement naming Landlord and Landlord's Agent as additional insureds. Each policy, or a certified copy of the policy, and a certificate showing it is in effect, together with evidence of payment of premiums, shall be deposited with Landlord at the commencement of the Lease Term and thereafter upon any policy changes or substitutions, and renewal certificates and copies of renewal policies shall be delivered to Landlord at least ten (10) days prior to the expiration date of any policy.

(d) **Business Interruption.** Landlord, Landlord's Agent, and their respective agents and employees shall have no liability or responsibility for any loss, cost, damage or expense arising out of or due to any interruption of business (regardless of the cause therefore), increased or additional cost of operation of business or other costs or expenses, whether similar or dissimilar, which are capable of being insured against under business interruption insurance, whether or not carried by Tenant.

(e) **Waiver of Subrogation.** Reference is made to the provisions set forth in Section 1.17 above.

(f) **Self-Insurance.** Notwithstanding anything to the contrary, in order to comply with this Section or other provisions of this Lease requiring Tenant to provide insurance coverage, Tenant shall have the right to self-insure as to all or any portion of the insurance coverage or coverages which would otherwise have been required by a third party insurance carrier. If Tenant does not self-insure, then copies and certificates of said policies with evidence of premiums paid shall be delivered to Landlord on the Lease Commencement Date, and renewal certificates shall be delivered to Landlord at least ten (10) days before expiration of any such policy. Each such policy shall require at least fifteen (15) days' prior written notice to all named insureds for any cancellation or amendment thereof to be effective.

(g) **Increases in Coverage.** Tenant shall increase its insurance coverage as required if in the reasonable written opinion of the mortgagee on the Building, Landlord or Landlord's insurance agent such insurance coverage at that time is not adequate.

(h) Tenant will require, prior to commencement of any permitted alterations or other work, that every contractor doing such work obtain and keep in force during performance of the work, comprehensive general liability and Workmen's Compensation coverage on every contractor to be employed. The coverage limits shall be reasonably satisfactory to Landlord. The policies shall be non-cancelable without ten (10) days notice to Landlord. Before commencement of any such work, Tenant shall deliver certificates to Landlord showing such insurance to be in effect.

(i) Tenant will carry insurance covering all of the fixturing items included in its store finish plans, all other improvements, trade fixtures and personal property from time to time in, on or upon the Demised Premises and any alterations, improvements, additions or changes made by Tenant, in an amount not less than one hundred percent (100%) of their full replacement cost, providing protection against perils included within the standard Virginia form of fire and extended coverage insurance policy, together with insurance against sprinkler damage, vandalism, and plate glass insurance.

(j) Notwithstanding the fact that any liability of Tenant to Landlord may be covered by Tenant's insurance, Tenant's liability shall in no way be limited by the amount of its insurance recovery or the amount of insurance in force or required by any provisions of this Lease.

(k) Notwithstanding anything to the contrary, in order to comply with Section 5 or other provisions of this Lease requiring Tenant to provide insurance coverage, Tenant shall have the right to self-insure as to all or any portion of the insurance coverage or coverages which would otherwise have been required by a third party insurance carrier.

5.2 Landlord's Insurance. Landlord shall maintain, during the Term of this Lease, property and commercial general liability insurance covering the Building. The property insurance shall include fire and extended coverage insurance, covering all structures and improvements. The commercial general liability insurance shall insure against claims for bodily injury and property damage occurring in or about the Building, and shall provide total coverage of types and amounts commensurate with the insurance coverages maintained from time to time by institutional owners of similar buildings in the metropolitan Washington, D.C. area. Such insurance may be blanketed with other insurance carried by Landlord so long as such blanketing with other insurance does not reduce the amount of insurance available to pay any claim with respect to the Building.

Tenant, its officers, elected and appointed officials, and employees are to be named as additional insureds under all coverages maintained by Landlord hereunder except Workers' Compensation, Professional Liability, and Automobile Liability, and the certificate of insurance, or the certified policy must so state. Coverage afforded under this Section shall be primary as respects the Tenant, its elected and appointed officials, agents and employees. The following definition of the term "Tenant" applies to all policies issued under this Lease:

"The County Board of Arlington County, Virginia and any affiliated or subsidiary Board, Authority, Committee, or Independent Agency (including those newly constituted), provided that such affiliated or subsidiary Board, Authority, Committee, or Independent Agency is either a Body corporate created by the County Board of Arlington County,

Virginia, or one in which controlling interest is vested in Arlington County; and Arlington County Constitutional Officers.”

Landlord shall provide Tenant with a certificate of insurance evidencing the coverages required by this Section within thirty (30) days after the date of this Lease and thereafter on an annual basis during the Term.

5.3 Builder’s Risk Insurance. During the term of any contract relating to alteration or installation of Tenant’s property or equipment in the Demised Premises and subsequent alterations, each party shall require each of their contractor(s), if any, to maintain in force, at the contractor’s own expense, Builder’s Risk Insurance on an all risks basis, covering all fixtures, materials, supplies, machinery and equipment to be used in, or incidental to, the construction. The policy shall include an occupancy clause granting occupancy of the project insured for the purpose it was intended and list Landlord as loss payee.

5.4 Incident Reports. Tenant shall promptly report to Landlord’s Agent all accidents and incidents, about which Tenant becomes aware, occurring on or about the Demised Premises, the Building and/or the Complex which involve or relate to the security and safety of persons and/or property.

6. ALTERATIONS

6.1 Tenant shall not make any alterations, changes, replacements, additions or improvements (structural or otherwise) in or to the Demised Premises or any part thereof, without the prior written consent of Landlord. Any alterations which change the use of the Demised Premises shall be deemed to be a default under this Lease and shall serve to immediately terminate this Lease. Notwithstanding the foregoing, the Parties understand and agree that Tenant may convert the Demised Premises for use as an exercise room as provided in Section 1.7 above, subject to Landlord’s approval of the actual plans.

6.2 It is distinctly understood and agreed that all alterations, installations, changes, replacements, additions to or improvements made by Tenant upon the Demised Premises (whether with or without the Landlord’s consent) shall at the election of Landlord remain upon the Demised Premises and be surrendered with the Demised Premises at the expiration or earlier termination of this Lease without disturbance, molestation or injury. Should Landlord elect that alterations, installations, changes, replacements, additions to or improvements made by Tenant upon the Demised Premises be removed upon expiration or earlier termination of this Lease, Tenant hereby agrees that Landlord shall have the right to cause same to be removed at Tenant’s sole cost and expense. Tenant hereby agrees to reimburse Landlord for the cost of such removal together with the cost of restoring the Demised Premises to its original condition as of the Lease Commencement Date. Notwithstanding the foregoing, Tenant shall have no obligation to remove (or to reimburse Landlord for the costs to remove) any Landlord approved improvements or changes made in or to the Demised Premises after the Conversion, with the exception of exercise equipment and related fixtures and except as provided in Section 1.7.

7. TENANT’S AGREEMENT

7.1 Landlord shall have the right to prescribe the weight and method of installation and position of safes or other heavy fixtures or equipment and Tenant shall not install in the Demised Premises any fixtures, equipment or machinery that will place a load upon any floor exceeding the floor load per square foot area which such floor was designed to carry; that all damage done to the Building by taking in or removing a safe or any other article of Tenant’s office equipment, or due to its being in the Demised Premises, shall be repaired at the sole expense of Tenant. No freight, furniture or other bulky matter of any description will be received into the Building or carried in the elevators, except as approved by Landlord. All substantial moving of furniture, material and equipment shall be under the supervision of Landlord, who shall, however, not be responsible for any damage to or changes for moving same. Tenant agrees promptly to remove from the public area adjacent to or in the Building any of Tenant’s property there delivered or deposited.

8. ELECTRICAL EQUIPMENT

8.1 Tenant shall not install or operate in the Demised Premises any electrically operated equipment or other machinery, nor shall Tenant install any other equipment of any kind or nature whatsoever which shall or may necessitate any changes, replacements or additions to or require the use of the water system, plumbing system, heating system, air conditioning system or the electrical system of the Demised Premises without the prior written consent of Landlord. All electrical equipment in the Demised Premises shall be metered at the Tenant’s sole expense and all consumption shall be billed to and paid by the Tenant.

9. TENANT EQUIPMENT

9.1 Maintenance and repair of equipment such as special air-conditioning equipment, plumbing fixtures or any other type of special equipment together with related plumbing or electrical services, whether installed by Tenant or by Landlord on behalf of Tenant, shall be the sole responsibility of Tenant and Landlord shall have no obligation in connection therewith. All such equipment shall be metered at the Tenant's sole expense and all utility consumption shall be billed to and paid by the Tenant.

10. ACCESS

10.1 Tenant further agrees that it shall allow Landlord, its agents, employees or contractors to enter the Demised Premises at all reasonable times upon reasonable prior written notice (except in the event of an emergency when no written notice shall be required; provided, however, verbal notice to Tenant shall be promptly provided after Landlord learns of the emergency, by calling Tenant's Hotline telephone number, which number currently is (703) 228-4422. Tenant may, from time to time, designate a new Hotline phone number for emergency access to the Demised Premises by written notice to Landlord) to examine, inspect or to protect the same or prevented damage or injury to the same, or to make such alterations and repairs to the Demised Premises or other premises as Landlord may deem necessary.

11. ILLEGAL USE

11.1 Tenant shall not use or permit the Demised Premises or any part thereof to be used for any disorderly, unlawful or extra hazardous purpose nor for any other purpose than hereinbefore specified; and shall not manufacture any commodity therein.

12. RULES AND REGULATIONS

12.1 Tenant covenants that the following rules and regulations, and such other and further reasonable rules and regulations as the Landlord may make from time to time and which in the Landlord's judgment are necessary for the general well being, safety, care and cleanliness of the Demised Premises and the Building of which they are a part together with their appurtenances, shall be faithfully kept, observed and performed by Tenant, by its agents, servants, employees and guests unless waived in writing by Landlord. Landlord may revise the established written rules and regulations from time to time; provided, however, newly established rules and regulations shall not interfere with the intended use of the Demised Premises and shall not be inconsistent with the terms of this Lease.

(a) The sidewalks, entries, passages, elevators, public corridors and staircases and other parts of the Building which are not occupied by Tenant shall not be obstructed or used for any other purpose than ingress or egress.

(b) Tenant shall not install or permit the installation of any awnings, shades or the like.

(c) No additional locks shall be placed upon any doors of the Demised Premises and the doors leading to the corridors or main halls shall be kept closed during business hours except as they may be used for ingress or egress.

(d) Tenant shall not construct, maintain, use or operate within said Demised Premises or elsewhere in the Building of which the Demised Premises form a part or on the outside of the Building, any equipment or machinery which produces music, sound or noise which is audible beyond the Demised Premises.

(e) Electric and telephone distribution boxes must remain accessible at all times.

(f) Bicycles, motor scooters or any other type of vehicle shall not be brought into the lobby or elevators of the Building and no vehicle of any type, other than bicycles, shall be brought into the Demised Premises, except as provided in the following sentence: Tenant may bring electric powered vehicles into the Demised Premises and store such electric powered vehicles in the Demised Premises provided that such vehicles: (i) must be solely powered by electricity; (ii) must not be capable of leaking motor oil; and (iii) may be not re-charged in the Demised Premises.

(g) Keeping any type of animal or pet within the Demised Premises or anywhere in the Building is not permitted at any time.

13. DAMAGE

13.1 Subject to the terms of Section 1.17 above, all injury to the Demised Premises or the Building of which they are a part, caused by moving the property of Tenant into or out of the Building and all breakage done by Tenant, or the agents, servants, employees and visitors of Tenant shall be repaired by Landlord at the expense of Tenant. It shall be the right of Landlord, in its discretion, to regard the same as additional rent, in which event such cost or charges shall become additional rent payable with the installment of base monthly rent next becoming due. This provision shall be construed as an additional remedy granted to the Landlord and not in limitation of any other rights and remedies which Landlord has or may have in said circumstances.

14. PERSONAL PROPERTY

14.1 All personal property of the Tenant in the Demised Premises or in the Building shall be at the sole risk of Tenant. Landlord shall not be liable for any accident or damage to property of Tenant resulting from the use or operation of elevators or of the heating, cooling, electrical or plumbing apparatus. Landlord shall not, in any event, be liable for damages to property resulting from water, steam or other causes. Tenant hereby expressly releases Landlord from any and all liability incurred or claimed by reason of damage to Tenant's property, except to the extent of any loss or damage caused directly by the negligence or willful misconduct of Landlord or any of its agents, employees or contractors. Landlord shall not be liable for damages, nor shall this Lease be affected for conditions arising or resulting from and which may affect the Building of which the Demised Premises are a part, due to construction on contiguous premises.

15. LIABILITY AND INSURANCE

15.1 Landlord assumes no liability or responsibility whatsoever with respect to use or occupancy of the Demised Premises. Landlord shall not be liable for any accident to or injury to any person or persons or property in or about the Demised Premises which are caused by such use or occupancy or by virtue of equipment or property of the Tenant in said Demised Premises.

16. SERVICES

16.1 Landlord shall furnish reasonably adequate electric current for the intended use of the Demised Premises, automatically operated elevator services, heating, ventilation and air conditioning suitable for the intended use of the Demised Premises, and, in the event of the Conversion, janitorial services weekday evenings, all without additional cost to Tenant, except as provided in Section 1.8 above; provided, however, that Landlord shall not be liable for failure to furnish, or for suspension or delays in furnishing any of such services caused by the breakdown, maintenance or repair work or strike, riot, civil commotion, or any cause or reason whatsoever beyond the control of Landlord, unless (and then only in the event that the Tenant has converted the Demised Premises to use as an exercise room) the Demised Premises are rendered untenable by such failure, suspension, delay or interruption of services for ten (10) consecutive business days due to Landlord's negligence or willful misconduct, in which event Tenant may abate paying Base Annual Rent from the eleventh (11th) business day until such service is restored

17. BANKRUPTCY

17.1 **Failure to Provide Adequate Assurance.** In the event that Tenant files for bankruptcy protection and is unable to (a) cure its default(s), (b) reimburse the Landlord for its monetary damages, or (c) pay the rent due under this Lease, or any other payments required to be paid by Tenant under this Lease, on time (or within five (5) days of the due date), then Tenant agrees in advance that it has not met its burden to provide adequate assurance of future performance, and this Lease may be terminated by Landlord.

18. DEFAULTS & REMEDIES

18.1 If the Tenant fails to pay all of Tenant's rents due under this Lease, or any installments thereof as aforesaid, at the time the same shall become due and payable and/or any additional rent as herein provided although no demand shall be made for the same and if such failure shall continue for more than five (5) business days after Tenant's receipt of a notice of default from Landlord specifying such failure; or if the Tenant shall violate or fail or neglect to keep and perform any of the covenants, conditions and agreements herein contained on the part of the Tenant to be kept and performed herein and if such failure shall continue for more than thirty (30) days after Tenant's receipt of a notice of default from Landlord specifying such failure, then, and in each and every such event from thenceforth, and at all times thereafter, at the option of the Landlord, the Tenant's right of possession shall thereupon cease and terminate and the Landlord shall be entitled to the possession of the Demised Premises and to re-enter the same without demand of rent or demand of possession of said premises and may forthwith proceed to recover possession of the Demised Premises by process of law; and,

in the event of such re-entry by process of law or otherwise, the Tenant nevertheless agrees to remain liable for any and all damages, deficiency or loss of rent which the Landlord may sustain by such re-entry. Tenant acknowledges that its receipt of a notice of default from Landlord specifying a default under this Lease and its failure to cure such default within the applicable time period as provided for in the immediately foregoing sentence, shall constitute Tenant's receipt from Landlord of a notice to quit or notice of intention to re-enter the Demised Premises. If a seven (7) days summons or other applicable summary process shall be served, and compromise or settlement therefor shall be made, it shall not constitute a waiver of any covenant, condition or agreement itself, or of any subsequent breach thereof. No provision of this Lease shall be deemed to have been waived by Landlord unless such waiver shall be in writing signed by Landlord.

18.2 Should this Lease be terminated before the Expiration Date by reason of Tenant's default as provided in this Section 18, or if Tenant shall abandon the Demised Premises before the Expiration Date of this Lease, the Demised Premises may be relet by Landlord and, if the full rental reserved under this Lease (and any of the costs, expenses or damages indicated below) shall not be realized by Landlord, Tenant shall be liable for all damages sustained by Landlord, including, without limitation, deficiency in rent, brokerage fees, and expenses of placing the Demised Premises in rentable condition. Landlord, in putting the Demised Premises in good order or preparing the same for re-rental may, at Landlord's option, make such alterations, repairs, or replacements in the Demised Premises as Landlord, in Landlord's reasonable judgment, considers advisable and necessary for the purpose of re-letting the Demised Premises, and the making of such alterations, repairs, or replacements shall not operate or be construed to release Tenant from liability hereunder as aforesaid. Landlord shall in no event be liable in any way whatsoever for failure to re-let the Demised Premises, or in the event that that Demised Premises are re-let, for failure to collect the rent thereof under such re-letting, and in no event shall Tenant be entitled to receive any excess, if any, of such net rent collected over the sums payable by Tenant to Landlord hereunder.

18.3 Any damage or loss of rent sustained by Landlord may be recovered by Landlord, at Landlord's option, at the time of the re-letting, or in separate actions, from time to time, as said damage shall have been made more easily ascertainable by successive re-lettings, or, in a single proceeding deferred until the Expiration Date (in which event Tenant hereby agrees that the cause of action shall not be deemed to have accrued until the Expiration Date or in a single proceeding prior to either the time of re-letting or the Expiration Date, in which event Tenant agrees to pay Landlord the difference, if any, by which the present value of the rent reserved under this Lease on the date of breach, discounted at eight percent (8%) per annum, exceeds the fair market rent for the Demised Premises on the date of breach for the period from the date of termination through the Expiration Date. In the event Tenant becomes the subject debtor in a case under the Bankruptcy Code, the provisions of this Paragraph 18.3 may be limited by the limitations of the damage provisions of the Bankruptcy Code.

18.4 No payment by Tenant or receipt by Landlord of a lesser amount than the base monthly rent installments or other charges herein stipulated shall be deemed to be other than on account of the earliest unpaid stipulated rent nor shall any endorsement or statement on any check or any letter accompanying any check or payment as rent be deemed an accord and satisfaction, and the Landlord may accept such check or payment without prejudice to the Landlord's right to recover the balance of such rent or pursue any other remedy in this Lease provided.

18.5 Landlord shall not be, nor shall it be deemed to be, in default under this Lease unless Landlord fails to perform any of its obligations or breaches any of its covenants contained in this Lease and said failure or breach continues for a period of thirty (30) days after written notice from Tenant to Landlord (or such reasonable additional period of time as is necessary to cure the default if the alleged default is not reasonably capable of cure within the thirty (30) day period and Landlord commences and continues diligently to cure said default within the thirty (30) day period). Upon the occurrence of a Landlord default under this Lease, Tenant shall have all of the rights and remedies available to it at law and equity, including without limitation, the right to terminate this Lease.

19. DAMAGE BY FIRE OR OTHER CASUALTY

19.1 In the event of damage or destruction of the Demised Premises or a portion thereof by fire or any other casualty, this Lease shall not be terminated, but the Demised Premises shall be promptly and fully repaired and restored as the case may be by the Landlord at its own cost and expense. Due allowance, however, shall be given for reasonable time required for adjustment and settlement of insurance claims, and for such other delays as may result from government restrictions, and controls on construction, if any, and for strikes, national emergencies and other conditions beyond the control of the Landlord. It is agreed that in any of the aforesaid events, this Lease shall continue in full force and effect, but if the condition is such so as to make the entire Demised Premises untenable in the Landlord's commercially reasonable opinion, then the base monthly rent which the Tenant is obligated to pay hereunder shall abate as of the date of the occurrence until the Demised Premises have been fully and completely restored by the Landlord. Any unpaid or prepaid rent for the month in which said

condition occurs shall be pro-rated. If the Demised Premises are partly damaged or destroyed, then during the period that Tenant is deprived of the use of the damaged portion of said Demised Premises, Tenant shall be required to pay base monthly rent covering only that part of the Demised Premises that it is able to occupy, based on that portion of the total rent which the amount of square foot area remaining that can be occupied bears to the total square foot area of all the Demised Premises covered by this Lease. In the event the Demised Premises are substantially or totally destroyed by fire or other casualty so as to be entirely untenable and it shall require more than ninety (90) days for the Landlord to commence restoration of same, then either party hereto, upon thirty (30) days prior written notice to the other party, may terminate this Lease, in which case the rent shall be apportioned and paid through the date of said fire or casualty. No compensation, or claims, or diminution of rent shall be allowed or paid, by Landlord, by reason of inconvenience, annoyance, or injury to business, arising from the necessity of repairing the Demised Premises or any portion of the Building of which they are a part, however the necessity may occur.

20. SUBORDINATION

20.1 This Lease is subject and subordinate to all ground or underlying leases and to all mortgages and/or deeds of trust which may now hereafter affect such leases or the real property of which the Demised Premises form a part, and to all renewals, modifications, consolidations, replacements and extensions thereof. This subordination clause shall be self-operative and no further instrument of subordination shall be required by any mortgage or trustee. In confirmation of such subordination, Tenant shall execute promptly any certificate that the Landlord may request. Provided, however, that notwithstanding the foregoing, the party secured by any such deed of trust shall have the right to recognize this Lease and, in the event of any foreclosure sale under such deed of trust, this Lease shall continue in full force and effect at the option of the party secured by such deed of trust or the purchaser under any such foreclosure sale; and the Tenant covenants and agrees that it will, at the written request of the party secured by any such deed of trust, execute, acknowledge and deliver any instrument that has for its purpose and effect the subordination of this Lease to the lien of said deed of trust. At the option of any mortgagee or landlord under any ground or underlying lease to which this Lease is now or may hereafter become subject or subordinate, Tenant agrees that neither the cancellation nor termination of such mortgage or ground or underlying lease shall by operation of law or otherwise, result in cancellation or termination of this Lease or the obligations of the tenant hereunder, and Tenant covenants and agrees to attorn to such mortgagee or landlord or to any successor to landlord's interest in such mortgage or ground or underlying lease, and in that event, this Lease shall continue as a direct Lease between the Tenant herein and such mortgagee or landlord or its successor; and, in any case, such mortgagee, landlord or successor under such ground or underlying lease shall not be bound by any prepayment on the part of Tenant of any rent for more than one month in advance, so that rent shall be payable under this Lease in accordance with its terms, from the date of the termination of the ground or underlying lease, as if such prepayment had not been made.

21. CONDEMNATION

21.1 Tenant agrees that if the said Demised Premises, or any part thereof, shall be taken or condemned for public or quasi-public use or purpose by any competent authority, Tenant shall have no claim against the Landlord; and shall not have any claim or right to any portion of the amount that may be awarded as damages or paid as a result of any such condemnation; and all rights of the Tenant to damages therefor, if any, are hereby assigned by the Tenant to the Landlord. Upon such condemnation or taking, the term of this Lease shall cease and terminate from the date of such governmental taking or condemnation, and the Tenant shall have no claim against the Landlord for the value of any unexpired term of this Lease.

22. SUCCESSORS

22.1 This Lease and the covenants and conditions herein contained shall inure to the benefit of and be binding upon Landlord, its successors and assigns, and shall be binding upon Tenant, and its successors and assigns. This Lease shall inure to the benefit of Tenant and only such assigns of Tenant to whom the assignment by Tenant has been consented to by Landlord. Nothing in this Section shall be deemed to require Landlord to give any such consent. In the event Landlord's interest herein shall be assigned from time to time (other than conditionally as additional security), Landlord shall be released of all further liability hereunder.

23. TENANT HOLDOVER

23.1 If the Tenant shall, with the knowledge and written consent of the Landlord obtained at least thirty (30) days prior to the Expiration Date, continue to remain in the Demised Premises after the Expiration Date, then in that event, Tenant shall, by virtue of this Lease become a month-to-month tenant at the base monthly rent then in effect commencing said month tenancy with the first day next after the Expiration Date; and Tenant shall give to the Landlord at least thirty (30) days' written notice of any intention to quit said Demised Premises, and Tenant shall be entitled to thirty (30) days' written notice to quit said Demised Premises, except in the event of

nonpayment of rent in advance or of the breach of any other covenant by Tenant, in which event Tenant shall not be entitled to any notice to quit, the usual thirty (30) days' notice to quit being hereby expressly waived.

23.2 In the event that the Tenant without the consent of the Landlord, shall hold over after the Expiration Date, then the Landlord, at its option, may forthwith re-enter and take possession of said Demised Premises upon at least five (5) business days prior written notice to Tenant, without process, or by any legal process in force. Acceptance of rent by the Landlord subsequent to the Expiration Date shall not constitute consent to any holding over. The Landlord shall have the right to apply all payments received after the Expiration Date or any renewal thereof toward any other sums owed by Tenant to Landlord.

24. POSSESSION

24.1 If Landlord is unable to deliver possession of the Demised Premises on the Lease Commencement Date by reason of the holding over or retention of possession of any tenant or occupant, or if repairs, improvements or decoration of the Demised Premises, or of the Building are not completed, or for any other reason, Landlord shall not be subject to any liability for the failure to give possession on said date. Under such circumstances the rent reserved and covenanted to be paid herein shall not commence until the possession of Demised Premises is given or the Demised Premises are occupied by Tenant, whichever is earlier, and any delay of the Lease Commencement Date, shall extend the Term of the Lease day for day. If permission is given to Tenant to enter into the possession of the Demised Premises or to occupy premises other than the Demised Premises prior to the Lease Commencement Date, Tenant covenants and agrees that such occupancy shall be deemed to be under all the terms, covenants, conditions and provisions of this Lease.

25. OFAC COMPLIANCE

25.1 Tenant represents and warrants that: (a) Tenant is (i) not currently identified on the Specially Designated Nationals and Blocked Persons List maintained by the Office of Foreign Assets Control, Department of the Treasury ("OFAC") and/or on any other similar list maintained by OFAC pursuant to any authorizing statute, executive order or regulation (collectively, the "List") and (ii) not a person or entity with whom a citizen of the United States is prohibited to engage in transactions by any trade embargo, economic sanction, or other prohibition of United States law, regulation, or Executive Order of the President of the United States; (b) none of the funds or other assets of Tenant constitute property of, or are beneficially owned, directly or indirectly, by any Embargoed Person (as hereinafter defined); (c) no Embargoed Person has any interest of any nature whatsoever in Tenant (whether directly or indirectly); and (d) none of the funds of Tenant have been derived from any unlawful activity with the result that the investment in Tenant is prohibited by law or that the Lease is in violation of law. The term "**Embargoed Person**" means any person, entity or government subject to trade restrictions under U.S. law, including but not limited to, the International Emergency Economic Powers Act, 50 U.S.C. §1701 *et seq.*, The Trading with the Enemy Act, 50 U.S.C. App. 1 *et seq.*, and any Executive Orders or regulations promulgated thereunder with the result that the investment in Tenant is prohibited by law or Tenant is in violation of law.

25.2 Tenant covenants and agrees: (a) to comply with all requirements of law relating to money laundering, anti-terrorism, trade embargos and economic sanctions, now or hereafter in effect; (b) to immediately notify Landlord in writing if any of the representations, warranties or covenants set forth in this paragraph or the preceding paragraph are no longer true or have been breached or if Tenant has a reasonable basis to believe that they may no longer be true or have been breached; (c) not to use funds from any "Prohibited Person" (for the purposes of this Section 25.2 (c) a "Prohibited Person" is a person whose assets are blocked or with whom transactions are otherwise restricted pursuant to the September 24, 2001 Executive Order Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism) to make any payment due to Landlord under the Lease; and (iv) at the request of Landlord, to provide such information as may be requested by Landlord to determine Tenant's compliance with the terms hereof.

25.3 Tenant hereby acknowledges and agrees that Tenant's inclusion on the List at any time during the Lease Term shall be a material default of this Lease; provided, however, Tenant shall have sixty (60) days following actual notice of its inclusion on the List to obtain written acknowledgement from OFAC (and provide a copy thereof to Landlord) that Tenant's inclusion on the List was erroneous, which acknowledgement may be in the form of a removal of Tenant's name from the List. Notwithstanding anything herein to the contrary, Tenant shall not permit the Demised Premises or any portion thereof to be used or occupied by any person or entity on the List or by any Embargoed Person (on a permanent, temporary or transient basis), and any such use or occupancy of the Demised Premises by any such person or entity shall be a material default of this Lease.

26. REIT LIMITATIONS

Notwithstanding any other provision of this Lease, neither Tenant nor any direct or indirect assignee or subtenant of Tenant may enter into any lease, sublease, license, concession or other agreement for use, occupancy or utilization of space in the Demised Premises which provides for a rental or other payment for such use, occupancy or utilization based in whole or in part on the net income or profits derived by any person from the property leased, occupied or utilized, or which would require the payment of any consideration which would not fall within the definition of "rents from real property", as that term is defined in Section 856(d) of the Internal Revenue Code of 1986, as amended.

27. HAZARDOUS MATERIALS

In addition to all of Tenant's obligations set forth herein, Tenant shall not use or permit the use of the Demised Premises for any activity involving, directly or indirectly, the use, generation, treatment, storage or disposal of any hazardous substance. For purposes of this Section 27, "hazardous substance" shall mean any (i) "hazardous waste" as defined by the Resource Conservation and Recovery Act of 1976, as amended from time to time, and regulations promulgated thereunder; (ii) "hazardous substance", as defined by the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended from time to time, and the regulations promulgated thereunder; and (iii) any substance, the presence of which on the Demised Premises is prohibited by any law similar to those set forth in this Section, including but not limited to asbestos, polychlorinated biphenyls (PCBs), petroleum products and lead-based paints.

28. NOTICE TO PARTIES

28.1 Addresses for Notices. All notices required or desired to be given hereunder by either party to the other shall be in writing and personally delivered or given by overnight express delivery service or by certified or registered mail (delivery and/or postage charges prepaid) and addressed as specified in Sections 1.8 and 1.9 above. Either party may, by like written notice, designate a new address to which such notices shall be directed.

28.2 Effective Date of Notice. Notices personally delivered shall be deemed effective upon delivery; notices sent by certified or registered mail shall be deemed effective upon the earlier of (i) the date of receipt or rejection by the addressee, or (ii) three (3) days following the date of mailing (excluding Sundays and holidays on which mail is not delivered by the United States Postal Service). Notwithstanding the foregoing, any notice pertaining to a change of address of a party shall be deemed effective only upon receipt or rejection by the party to whom such notice is sent.

29. ENTIRE AGREEMENT; MODIFICATION

This Lease and all exhibits incorporated herein by reference are intended by the Parties as a final expression of their agreement and a complete and exclusive statement of the terms thereof, all negotiations, considerations and representations between the Parties having been incorporated herein. No course of prior dealings between the Parties or their officers, partners, employees, agents or affiliates shall be relevant or admissible to supplement, explain or vary any of the terms of this Lease and the exhibits. Acceptance of, or acquiescence in, a course of performance rendered under this or any prior agreement between the Parties, their agents or their affiliates shall not be relevant or admissible to determine the meaning of any of the terms of this Lease and the exhibits. Tenant hereby acknowledges that Landlord, Landlord's agent and their respective agents and employees made no representations, warranties, understandings or agreements pertaining to the condition of the Building or the Demised Premises, or otherwise, which have induced Tenant to execute, or have been relied upon by Tenant in the execution of this Lease, other than those specifically set forth herein. This Lease can be modified only by a writing signed by both Parties hereto. The language of this Lease shall in all cases be construed as a whole and according to its fair meaning, and not strictly for or against either Landlord or Tenant. The interpretation or construction of this Lease shall be unaffected by any argument or claim, whether or not justified, that this Lease has been prepared, wholly or in substantial part, by or on behalf of Landlord or Tenant. Tenant acknowledges that it has had, or has had the opportunity to have, legal counsel of Tenant's choice to negotiate on behalf of (and/or explain to) Tenant the provisions of this Lease. Any consent or approval required or desired of Landlord, or any decision under this Lease committed to the discretion of Landlord hereunder, may be withheld, delayed, conditioned or exercised by Landlord in its sole, but reasonable discretion unless the provision of this Lease requiring such consent or approval, or decision under this Lease committed to the discretion of Landlord, expressly states that Landlord shall not withhold, delay, condition or exercise such consent, approval or discretion unreasonably.

30. INTENTIONALLY OMITTED

31. BINDING EFFECT OF LEASE

The submission of an unsigned copy of this document to Tenant for examination or signature shall not constitute an option, reservation or offer to lease space in the Building. This Lease shall become effective and binding only upon execution and delivery by both Landlord and Tenant, and shall be enforceable in accordance with its terms from and after the date this Lease is fully executed and delivered by Landlord and Tenant.

32. FORCE MAJEURE

If Landlord is in any way delayed or prevented from performing any obligation due to fire, act of God, governmental act or failure to act, labor dispute, inability to procure materials or any cause beyond Landlord's reasonable control (whether similar or dissimilar to the foregoing named events), then the time for performance of such obligation shall be excused for the period of such delay or prevention and extended for a period equal to the period of such delay or prevention.

33. ROLE OF THE TENANT/TENANT DECISIONS; NO WAIVER

Landlord hereby acknowledges that Tenant has entered into this Lease in its role as tenant under this Lease and not as a governing authority. Accordingly, the Tenant's execution of this Lease shall neither constitute nor be deemed to be governmental approval for any actions or interests contemplated herein, including without limitation, for the construction of any alternations to the Demised Premises or the construction and occupancy of the Demised Premises, or for any other governmental approval or consent required to be obtained by Landlord; however, Tenant as a tenant shall not interfere with or block Landlord's efforts to obtain any such governmental approvals or consents. Whenever in this Lease Tenant is required to join in, consent, give its approval, or otherwise act under this Lease, it is understood that such obligations are meant to apply to the Tenant acting in its capacity as a tenant and not in its capacity as a governing authority. Further, Landlord hereby acknowledges that any and all decisions, determinations, consents, notifications or any other actions taken or to be taken by Tenant pursuant to this Lease, whether or not specifically contemplated hereunder, may be taken by the County Manager or by another Arlington County official or body pursuant to any means, mechanism or process as determined by Arlington County in its sole discretion, and Landlord shall have no right to question or challenge the propriety, authority or legality of any such Arlington County official or body, or means, mechanism or process by which any such decision, determination, consent, notification, or other action is taken or to be taken hereunder by Tenant. Notwithstanding the foregoing, nothing in this Lease shall be construed to waive any of Tenant's powers, rights or obligations as a governing authority or local governing body, whether or not affecting the Building or Demised Premises, including, but not limited to its police power, right to grant or deny permits, right to collect taxes or other fees, or any other power, right or obligation whatsoever.

34. SOVEREIGN IMMUNITY

Notwithstanding any other provisions of this Lease to the contrary, nothing in this Lease nor any action taken by Tenant pursuant to this Lease nor any document which arises out of this Lease shall constitute or be construed as a waiver of either the sovereign immunity or governmental immunity of the Tenant, or of its elected and appointed officials, officers and employees.

35. INDEMNIFICATION AND HOLD HARMLESS

Notwithstanding any other term or provision of this Lease to the contrary, Tenant shall have no obligation to explicitly or implicitly indemnify or hold harmless the Landlord or any third party or Parties from any liability whatsoever.

36. NO RIGHTS IN THIRD PARTIES

The Parties hereto mutually agree that no provision of this Lease shall create in the public, or in any person or entity other than those signing this Lease as Parties hereto, rights as a third party beneficiary hereunder, or authorize any person or entity, not a party hereto, to maintain any action for personal injury, property damage, or breach of contract pursuant to the terms of this Lease or otherwise.

37. RATIFICATION OF LEASE BY TENANT

This Lease shall not become effective unless and until the County Board approves this Lease. Such approval by the County Board shall be evidenced by the execution of this Lease by the Real Estate Bureau Chief or other person designated by the County Board. Upon the execution and delivery by Landlord of a Lease that is acceptable to the County Manager, he shall use reasonable efforts to promptly obtain the approval of the County Board to the Lease consistent with the County process for the review and submission of documents to the County

Board for consideration. If this Lease is not approved by the County Board, as evidenced by the Real Estate Bureau Chief's execution hereof, within sixty (60) days after execution and delivery by Landlord, then it shall be null and void and no liability whatsoever shall accrue to Landlord or Tenant and Landlord and Tenant shall have no obligations whatsoever to each other.

38. TIME OF ESSENCE

Tenant acknowledges that time is of the essence in its performance of any and all obligations, terms and provisions of this Lease.

39. RELATIONSHIP OF LANDLORD AND TENANT

Nothing in this Lease shall be interpreted or construed as creating any partnership, joint venture, agency or any other relationship between the Parties, other than that of landlord and tenant.

EXHIBIT B

Declaration to Confirm Lease Commencement Date

Attached to and made part of the Storage Space Lease dated as of _____, 2010 entered into by and between VNO COURTHOUSE II L.L.C., a Delaware limited liability company, as Landlord, and THE COUNTY BOARD OF ARLINGTON COUNTY, VIRGINIA, as Tenant.

Landlord and Tenant do hereby declare that:

The Lease Commencement Date is _____.

IN WITNESS WHEREOF, Landlord has caused these presents to be signed by one or more of its general partners or Trustees, and the Tenant has caused these presents to be signed in its legal name by its duly authorized person and duly witnessed.

WITNESS FOR LANDLORD:

LANDLORD:

VNO COURTHOUSE II LLC

By: VORNADO/CHARLES E. SMITH L.P.,
Its agent

By: Vornado/Charles E. Smith Management LLC
Its general partner

By: _____ (SEAL)

Name: Patrick J. Tyrrell
Title: Chief Operating Officer
Date: _____

WITNESS FOR TENANT:

TENANT:

THE COUNTY BOARD OF ARLINGTON
COUNTY, VIRGINIA, a body politic

By: _____

Name: _____
Title: _____

EXHIBIT C

1. **Additional Rent.** Commencing on the date set forth in Section 1.8 of the Lease and continuing throughout the Lease Term, Tenant shall pay as Additional Rent Tenant's pro rata share of any (i) Real Estate Taxes and (ii) Operating Expenses, in excess of the (i) Real Estate Taxes and (ii) Operating Expenses, respectively, accruing during the Base Year. Additional Rent shall be determined as follows:

(a) **Real Estate Taxes.** Tenant shall pay Tenant's pro rata share, as defined in Section 1.5(a) of the Lease, of any Real Estate Taxes accruing during each Calendar Year falling entirely or partly within the Lease Term, in excess of the amount of Real Estate Taxes accruing during the Base Year.

(i) The term "Real Estate Taxes" shall mean (1) all taxes, assessments (including all assessments for public improvements or benefits, water, sewer, transportation or other excises, levies, license fees, permit fees, impact fees, inspection fees, and other authorization fees and other similar charges, in each case whether general or special, levied or assessed, ordinary or extraordinary, foreseen or unforeseen, of every character (excluding all interest and penalties thereon), which at any time during or in respect to the Lease Term, may, by any governmental or taxing authority, be assessed, levied, confirmed, or imposed on or in respect of, or be a lien upon, the land and the building improvements of which the Demised Premises are a part, together with (2) any other tax imposed on real estate or on owners of real estate generally, including taxes imposed on leasehold improvements which are assessed against the Landlord and taxes upon or with respect to any activity conducted on the land and improvements of which the Demised Premises are a part, upon this Lease or any rent reserved or payable hereunder, (3) to the extent the following taxes are in lieu of or a substitute for any other taxes which are, or would be, payable by Landlord as Real Estate Taxes, (a) any income, excess profits, or other taxes of Landlord determined on the basis of its income, receipts, or revenues from the Building, and (b) any income, excess profits, or other taxes of Landlord determined on the basis of its income or revenue derived pursuant to this Lease, and (4) the reasonable cost of any services to achieve a reduction of, or to minimize the increase in, Real Estate Taxes. Except as otherwise provided in (3) immediately above, Taxes shall not include any tax upon Landlord's net income or profits and shall also not include: business professional, occupational and license taxes (BPOL), federal, state or local income taxes, franchise, gift, transfer, excise, capital stock, estate, succession, or inheritance taxes. Landlord shall pay all Real Estate Taxes and assessments by the date due, and shall, upon Tenant's written request, furnish Tenant with evidence of such payment. Landlord shall not include in Real Estate Taxes any interest or penalties incurred by Landlord by reason of Landlord's failure to pay in a timely manner any Real Estate Taxes and assessments. Landlord shall not recover from tenants more than 100% of the Real Estate Taxes actually paid by Landlord.

(ii) If Real Estate Taxes accruing during the Base Year are subsequently reduced by any application or proceeding brought by or on behalf of Landlord for reduction in the amount of Real Estate Taxes payable by Landlord, the Real Estate Taxes deemed to have accrued during the Base Year shall be decreased and Landlord may promptly bill Tenant for the Additional Rent not previously paid by Tenant for any Calendar Year during the Lease Term, based upon the reduced amount of Real Estate Taxes accruing during the Base Year.

(b) **Operating Expenses.** Tenant shall pay Tenant's pro rata share, as indicated in Section 1.5(b) of the Lease, of the actual Operating Expenses accruing during each Calendar Year falling entirely or partly within the Lease Term, in excess of the actual Operating Expenses accruing during the Base Year. Notwithstanding the foregoing, for purposes of calculating Tenant's pro rata share of Operating Expenses, Landlord agrees to limit the aggregate amount of the annual increases in Controllable Operating Expenses to no more than five percent (5%) per Calendar year on a cumulative basis. Additionally, Landlord agrees that the annual increase in the aggregate amount of Controllable Operating Expenses shall not be greater than ten percent (10%) in any Calendar Year during the Lease Term. For purposes of this Lease, the term "Controllable Operating Expenses" shall mean all Operating Expenses as defined herein, with the exception of the costs of insurance premiums and utilities, and the costs incurred to comply with Arlington County code requirements that are first established after the Base Year.

(i) The term "Operating Expenses" shall mean the reasonable expenses of Landlord in connection with the servicing, insuring, operation, maintenance and repair of the Building and related interior and exterior appurtenances of which the Demised Premises are a part, or for health, welfare or safety; expenses, if any, of Landlord to maintain common facilities, amenities, programs and services required or approved by jurisdictional authorities for the Building, the building site, the Complex or the locality in which the Complex is situated; the reasonable cost of any services to achieve a reduction of, or to minimize the increase in, Operating Expenses; management fees; capital expenditures and other cost of Landlord for equipment or systems installed to reduce or minimize increases in Operating Expenses or to comply with any governmental or quasi-governmental ordinance or requirement promulgated after the Commencement Date (such costs shall be

amortized over the useful life of such equipment or systems). At the reasonable discretion of Landlord, certain of these expenses may be equitably apportioned among two or more buildings in the Complex.

(ii) The term "Operating Expenses" shall not include any of the following, except to the extent that such costs and expenses are specifically included in Operating Expenses as described in Paragraph 3(b)(i) above: capital expenditures and depreciation of the Building; painting and decorating of tenant space; interest and amortization of mortgages; ground rent; compensation paid to officers or executives of Landlord; taxes as measured by the net income of Landlord from the operation of the Building; insurance reimbursements of Operating Expenses to Landlord; Real Estate Taxes; brokerage commissions; and marketing expenses. Notwithstanding anything to the contrary contained in the Lease, "Operating Expenses" shall also not include the following:

1. debt service, including interest, financing costs and amortization of mortgages, late fees or interest on overdue payments;
2. painting or decorating other than in common or public areas of the Building;
3. any tenant work performed or alteration of space leased to the Tenant or to other tenants or occupants of the Building, whether such work or alteration is performed for the initial occupancy by Tenant or such other tenant or occupant, or thereafter;
4. the cost of alterations, capital improvements and replacements, including without limitation, the Base Building Work and all related work and improvements to be performed by Landlord pursuant to the terms of this Lease, which under generally-accepted accounting principles are properly classified as capital expenditures, as well as the costs of installation of telephone lines, computer lines, satellite lines and fibreoptic lines;
5. any cash or other consideration paid by Landlord on account of, with respect to, or in lieu of tenant work or alterations described in clause (c) above;
6. repairs or replacements (a) necessitated by the negligence or willful acts, omissions or misconduct of Landlord or its employees or agents, (b) required to cure violations of governmental laws, ordinances, rules and regulations applicable to the Building as of the Commencement Date or (c) necessitated by design flaws, construction defects, and/or structural defects in the Building or any Building system;
7. costs of enforcement of leases and reserves for bad debts;
8. salaries, commissions, fringe benefits and other compensation paid to (a) officers or executives of Landlord or Landlord's property management company, or (b) employees of Landlord who devote only a portion of their time to the maintenance or operation of the Building to the extent that such salaries, fringe benefits and other compensation are not properly allocated to work spent on matters unrelated to the Building.
9. leasing commissions, advertising and promotional expenses and any other comparable expenses directly related to leasing or procuring tenants or negotiating with prospective tenants;
10. legal fees, accounting fees and all other professional and consulting fees of whatever nature (a) incurred in procuring tenants for the Building (including, without limitation, fees incurred in connection with failed negotiations with prospective tenants in the Building, and the design and construction of tenant improvements for any other tenant or prospective tenant in the Building), (b) incurred in connection with Landlord's negligence or willful misconduct or non-compliance with any mortgage, deed of trust or ground lease relating to the Building, (c) relating to enforcing any leases or any landlord/tenant proceeding, (d) relating to the defense of Landlord's title to, or interest in, the Building, (e) relating to the refinancing or sale of the Building or any interest therein or sale of any interest in Landlord; or (f) relating to the internal affairs of the ownership entity or entities constituting Landlord;
11. the cost of repairs incurred by reasons of fire or other casualty or condemnation;
12. any cost representing an amount paid for services or materials to a person, firm or entity to the extent such amount exceeds the amount that should be paid for such services or materials of comparable quality at the then-existing fair market rates;

13. all expenses for which Landlord has received (or is entitled to receive) reimbursement (such as by insurance and by other tenants of the Building) except as additional rent under comparable provisions in this Section of this Lease;
14. income taxes, franchise taxes, BPOL taxes, or such other taxes imposed upon or measured by Landlord's net income;
15. costs allocable to properties other than the Building;
16. rentals and other related expenses incurred in leasing or lease purchasing air-conditioning systems, elevators or other equipment ordinarily considered to be of a capital nature;
17. direct and indirect costs incurred to clean up, contain, abate, remove, or otherwise remedy asbestos or hazardous waste (as determined by federal, state or local laws or regulations) from the Building unless the wastes were in or on the Demised Premises or the Building because of Tenant's acts or those of its agents, invitees, or subtenants;
18. the cost of performing special services or installations to or for tenants or occupants to the extent such service exceeds that provided by Landlord to Tenant without charge hereunder;
19. electricity costs or overtime HVAC costs, if charged separately to any other tenants in the Building;
20. recordation and transfer taxes and transfer gain taxes, including, without limitation, any such taxes incurred if this Lease is recorded by Landlord;
21. fees or expenses of property management services in excess of three percent (3%) of gross income derived from the Building, including amounts received as reimbursements for Operating Expenses, but excluding reimbursements of a capital nature (insurance or otherwise), or, upon any sale of the Building subsequent to the date of this Lease, the then-existing fair market rate for such services if lower than three percent (3%) of gross income.
22. the cost of any additions to the Building;
23. the cost of artwork; and
24. costs or payments associated with Landlord's obtaining air rights or development rights.

Operating Expenses shall be reduced by all cash discounts, trade discounts or quantity discounts received by Landlord or Landlord's managing agent in the purchase of any goods, utilities or services in connection with the prudent operation of the Building. In the calculation of any expenses hereunder, it is understood that no expense shall be charged more than once. Landlord shall use its best efforts in good faith to effect an equitable proration of bills for services rendered to the Building and to any other property owned by Landlord or an affiliate of Landlord. In the event there exists a conflict as to an expense which is specified to be included in Operating Expenses and is also specified to be excluded from Operating Expenses within the above list, the exclusions listed above shall prevail and the expenses shall be deemed excluded. Landlord shall not recover more than 100% of the Operating Expenses actually paid by Landlord.

(i) If the Building's occupancy level is less than ninety-five percent (95%) during the Base Year, or if all land and improvements upon which Operating Expenses are calculated or may be calculated pursuant to Paragraph 1(b)(i) above were not fully complete and operational, or if any tenant is separately paying for services or utilities furnished to its premises or is provided with fewer services than customarily provided for tenants of general office space in the Building, then Operating Expenses accrued during the Base Year shall be adjusted to include all additional expenses, as estimated by Landlord applying standard accounting procedures to project the Operating Expenses as if the Building were ninety-five percent (95%) occupied and all land and improvements are fully completed and operational during the Base Year.

2. Additional Rent Estimates and Adjustments.

(a) Initial Additional Rent Adjustments. Landlord shall submit to Tenant by no later than November 1, 2004, a statement of Landlord's reasonable estimate of the increases described in Paragraphs 1(a)

and (b) above, together with the amount of Tenant's Additional Rent which is estimated to result from such increases, in which event Tenant shall pay such estimated Additional Rent to Landlord in equal monthly installments beginning on the date set forth in Section 1.5 of the Lease, on the dates and in the manner required for the payment of Tenant's monthly installments of Base Annual Rent.

(b) Annual Budget. Subsequent to the Calendar Year in which Tenant's obligation to pay each component of Additional Rent pursuant to Paragraph 1 commences, Tenant shall thereafter pay each such component of Additional Rent in twelve equal monthly installments based upon Landlord's estimates. In order to provide for the current monthly payment of each component of Additional Rent described herein, Landlord shall submit to Tenant by no later than December 1 of each Calendar Year, Landlord's estimates of Operating Expenses and Real Estate Taxes for the upcoming Calendar Year as well as a statement of Landlord's reasonable estimate of the increases described in Paragraph 1 above, together with the amount of Tenant's Additional Rent which is estimated to result from such increases. Tenant agrees to pay each such estimated component of Additional Rent to Landlord in twelve equal installments beginning on January 1, on the dates and in the manner required for the payment of Tenant's monthly installments of Base Annual Rent.

(c) Additional Rent Reconciliations. Within one hundred eighty (180) days after the end of each Calendar Year, Landlord will submit to Tenant a certified, audited financial statement of the actual Real Estate Taxes and Operating Expenses for the preceding Calendar Year (providing each line item of Operating Expenses, in a form and level of specificity as reasonably acceptable to Tenant) as well as the actual Real Estate Taxes and Operating Expenses during the Base Year, respectively. Such statement shall also indicate the amount of Tenant's excess payment or underpayment of Additional Rent based on Landlord's estimate described in Paragraphs 2(a) and 2(b). If Additional Rent paid by Tenant during the preceding Calendar Year shall be in excess of, or less than, the aggregate of its share of the actual increase in Real Estate Taxes and Operating Expenses, Landlord and Tenant agree to make the appropriate adjustment within thirty (30) days after the submission of Landlord's statement. Tenant shall either pay any Additional Rent due with the installment of Base Annual Rent first due at least thirty (30) days after the submission of Landlord's statement, or pay any Additional Rent due within thirty (30) days if the Lease Term has expired or has otherwise been terminated. Tenant shall deduct its excess payment, if any, from the installment of Base Annual Rent due for the month following submission of Landlord's statement, or following the expiration or earlier termination of the Lease Term, or, at Tenant's option, Tenant shall be reimbursed for any excess payments made, less any amounts then due Landlord under this Lease, upon demand.

(d) Verification of Additional Rent. Tenant shall have the absolute right on an annual basis to have a certified public accounting firm or an employee of Tenant (who either is Tenant's Director of Finance or another employee supervised by Tenant's Director of Finance) audit on a non-contingent fee basis the Landlord's books and records pertaining to Operating Expenses and Real Estate Taxes for the previous three (3) Calendar Years. Landlord, upon thirty (30) days written notice from Tenant, shall make available to Tenant in the Washington, D.C. metropolitan area all appropriate books and records, paid bill files, general ledgers, Operating Expenses and Real Estate Taxes billing files and contracts. Tenant shall be responsible for the cost of said audit unless an overstatement of the Operating Expenses or Real Estate Taxes greater than five percent (5%) for any Calendar Year is identified. In such instance, Landlord shall be responsible for audit costs incurred by Tenant, not to exceed \$5,000.00. In the event of any overpayment of Operating Expenses or Real Estate Taxes by Tenant, Landlord shall promptly reimburse Tenant for said overpayment or, at Tenant's option, credit the amount of said overpayment to the next installment of rent due.

3. Rent Adjustment Limit. Notwithstanding any deductions from or adjustments to Base Annual Rent and Additional Rent as provided for above, in no event shall the total monthly installment of Base Annual Rent and Additional Rent to be paid by Tenant in any month during the Lease Term or any extension thereof be less than the monthly installment of Base Annual Rent stipulated in Section 1.3 of the Lease, except as required as the result of the Landlord's application of a credit due to Tenant pursuant to Paragraph 2(c) above. The foregoing shall not be deemed to limit any right of set-off, recoupment or deduction provided for elsewhere in the Lease.

4. Survival of Rent Obligation. The obligation of Tenant with respect to payment of Base Annual Rent, as defined in Section 1.5 of the Lease, and Additional Rent as defined in Paragraphs 1 and 9 hereof, together with all other sums due hereunder, accrued and unpaid during the Lease Term, shall survive the expiration or earlier termination of the Lease.

5. Pro Rata Share. Tenant's "pro rata share" stipulated in Sections 1.5(a) and 1.5(b) of the Lease represents the ratio that the total rentable area of the Demised Premises bears to the total rentable area of the Building. In the event of any dispute as to the Tenant's "pro rata share" as a result of a disagreement as to the total rentable area of the Building, certification of the "pro rata share" by Landlord's independent architect shall be binding on both Landlord and Tenant. Landlord and Tenant have established the rentable area of the Demised

Premises in Section 1.1(b) of the Lease and this Paragraph 5 is not intended to provide the basis for any remeasurement or redetermination of the rentable area of the Demised Premises.

6. Prorated Rent. Any Base Annual Rent or Additional Rent payable pursuant to Section 1.5 of the Lease and Paragraph 1 hereof for one or more full calendar months in a partial Calendar Year at the beginning or end of the Lease Term shall be prorated based upon the number of months in the Calendar Year. Any Base Annual Rent or Additional Rent payable pursuant to Section 1.5 of the Lease and Paragraph 1 hereof for a portion of a calendar month shall be prorated based upon the number of days in the applicable calendar month.

7. Application of Rent. No payment by Tenant or receipt by Landlord of lesser amounts of Base Annual Rent or Additional Rent than those required by this Lease shall be deemed to be other than on account of the earliest unpaid stipulated Base Annual Rent or Additional Rent. No endorsement or statement on any check or any letter accompanying any check or payment as Base Annual Rent or Additional Rent shall be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such Base Annual Rent and Additional Rent or pursue any other remedy provided in this Lease. Any credit due to Tenant hereunder by reason of overpayment of Base Annual Rent or Additional Rent shall first be applied to any Base Annual Rent, Additional Rent or other sums owed to Landlord by Tenant as set forth elsewhere in this Lease or if Tenant shall be in default when said credit shall be owed.

8. Late Payment Fee and Interest Charge. In the event any installment of Base Annual Rent or Additional Rent due hereunder is not paid within fifteen (15) calendar days after it is due, then Tenant shall also pay to Landlord as Additional Rent (a) a late payment fee equal to two percent (2%) of the payment as liquidated damages for the additional administrative costs incurred by Landlord as a result of such late payments, plus (b) an interest charge calculated at the rate of two percent (2%) per annum above the then Prime Rate of interest on the delinquent payment from the date due until paid. Notwithstanding the foregoing, in the event that Tenant has not paid all or any portion of Base Annual Rent or Additional Rent claimed due by Landlord as a result of Tenant's application of any set off right hereunder or as a result of a reasonable dispute raised by Tenant as to Landlord's entitlement to such payment, then, unless Tenant is finally adjudged by a court of competent jurisdiction to be the non-prevailing party in such dispute, Tenant shall not be deemed to be in default and no late charge or interest charge shall apply to such unpaid amounts.

9. Other Tenant Costs and Expenses. All costs and expenses which Tenant assumes or agrees to pay to Landlord pursuant to this Lease, including without limitation costs of construction and alterations, shall be deemed Additional Rent, whether or not the same is specifically designated herein as Additional Rent, and, in the event of nonpayment thereof, Landlord shall have all the rights and remedies herein provided for the nonpayment of Base Annual Rent and Additional Rent payable pursuant to Section 1.5 of the Lease and Paragraph 1 hereof, including assessment of late payment fees and interest charges.

Vicinity Map
2300 Clarendon Blvd
Arlington, Virginia

