

STANDARD FORM 2
FEBRUARY 1965 EDITION
GENERAL SERVICES
ADMINISTRATION
FPR (41CFR) 1D16.601

U.S. GOVERNMENT
LEASE FOR REAL PROPERTY

DATE OF LEASE:

DEC 18 2008

LEASE #GS-11B- 01994

THIS LEASE, made and entered into this date between **California State Teachers' Retirement System**
whose address is **c/o Lowe Enterprises Real Estate Group-East, Inc.**
1101 Connecticut Avenue, NW, Suite 250
Washington, DC, 20036

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

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

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

A total of 503,776 BOMA Rentable Square Feet (BRSF) (yielding approximately 478,607 ANSI/BOMA Office Area Square Feet (BOASF)) and consisting of the entirety of the first through the twelfth floors of the East and West Towers and the Penthouse (the "Buildings") of the project known as Lincoln Place, and located at 600-700 Army-Navy Drive, Arlington, to be used for SUCH OFFICE AND RELATED PURPOSES AS DETERMINED BY THE GOVERNMENT (See Exhibit A - Floor plans of leased premises), including the entire B-1 level of the parking facility located under the East Tower comprised of 268 spaces. The parties stipulate and agree to the measurements, including parking spaces, and the rent calculation set forth in paragraph 3 of this Standard Form 2 based upon the stipulated measurements.

2. TO HAVE AND TO HOLD the said premises with their appurtenances for the term commencing on October 1, 2008 (the "Lease Commencement Date") and continuing to September 30, 2018.

3. The Government shall pay the Lessor annual rent of \$18,438,201.60 (\$38.52/BOASF; \$36.60/BRSF) at the rate of \$1,536,516.80. per month in arrears. For 268 official parking spaces, the Government shall pay as additional annual rent to Lessor \$643,200.00 at the rate of \$53,600 a month in arrears. The combined annual rent for the Premises, including the official parking spaces, shall be \$19,081,401.60 at the rate of \$1,590,116.80 per month in arrears. Rent for a lesser period shall be prorated. Rent checks shall be made payable to: **California State Teachers' Retirement System**, c/o Lowe Enterprises Real Estate Group-East, Inc., 1101 Connecticut Avenue, NW, Suite 250, Washington, DC, 20036 or in accordance with the provision on electronic payment of funds. Notwithstanding the foregoing, the office space rent shall be abated in its entirety for the first six months of the first year of the lease, for a total abatement of \$9,219,100.80. In addition, and notwithstanding the foregoing, the monthly portion of the shell rent shall be partially abated during the seventh and eighth full months of the first year of the lease term in equal monthly amounts of \$930,000.00, for a total abatement of \$1,860,000.00 as more fully set forth in paragraph 6 (C) below.

4. (Intentionally Deleted)

5. (Intentionally Deleted)

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

A. All services, utilities except electricity, alterations, repairs, and maintenance, Monday through Friday during normal hours of operation, as well as any other right and privilege, all as and to the extent stipulated by this Lease, the SFO and its Attachments, are included as a component of the rent. Electricity shall be separately metered at Government expense, and all charges for electricity shall be paid directly to the utility company by the Government.

B. Initial space alterations have previously been completed at the Buildings and there is no tenant improvement allowance provided in the lease. In the event that any tenant improvements are requested by the Government, the cost of the requested tenant improvement shall be paid by the Government in lump sum upon completion and acceptance of the tenant improvements. The Government shall make progress payments toward the cost of the tenant improvements, as reasonably determined by the Contracting Officer, with full payment made within 30 days of completion of the work and receipt of a final invoice from the Lessor.

C. A Brokerage Commission and Commission Credit of [REDACTED] is due and payable as follows: [REDACTED] is due to Jones Lang LaSalle-Northeast, Inc. or its successor ("JLL"), the Government's representative, upon an award of this Lease and payable within 30 days of the receipt of an invoice. An additional amount of [REDACTED] will be paid to JLL within 30 days of the receipt of an invoice following the Lease Commencement Date. The remaining amount of [REDACTED] is the Commission Credit and shall be paid as free rent in equal monthly installments of [REDACTED] each during the seventh and eighth full months of the initial lease year.

D. For purposes of Paragraph 3.4(F) and 3.5 of the SFO, as of the date hereof, the Government's percentage of occupancy is 100%. The base year's taxes for tax adjustments is stipulated to be \$1,981,683.80. Evidence of payment of taxes shall be furnished as provided by Paragraph 3.4 D of the SFO.

E. For purposes of Paragraphs 3.6 and 3.7 of the SFO, as of the date hereof, the operating cost base, is \$3,712,806 for the base year commencing October 1, 2008 and ending September 30, 2009.

F. In connection with the build out of tenant improvements, the following limits on markups shall apply: Offeror's General Contractor's overhead, profit and general conditions shall not exceed 10%, Lessor's overhead and profit shall not exceed 8%, and the combined markup shall not exceed 18%. These markups are all subject to the right of the Government to reasonably negotiate individual markups based upon the actual scope of work of the requirement.

F. Pursuant to paragraph 7.2 of the SFO, services, utilities, and maintenance shall be provided daily, extending from 7:00 am to 6:00 pm, excluding Saturdays, Sundays and federal holidays. Beyond the aforementioned hours, the overtime HVAC service rate shall be \$25.00 per hour for each floor for each tower with a two hour minimum, and \$250 per hour for an entire tower. These charges are inclusive of all labor, maintenance, and service fees, however, electrical charges will be paid in accordance with subparagraph A above. HVAC service rates shall escalate in a manner consistent with section 3.6 "Operating Costs in the SFO." Repair and maintenance on tenant installed equipment is not included in the rent. At the option of the Government, Lessor will provide daytime cleaning on Monday through Friday, but not on Saturday, Sunday and federal holidays. Pursuant to paragraph 7.6 (A) of the SFO, the charge to convert after hours cleaning to daytime cleaning will be the difference between the annual contract cost for daytime cleaning services and the amount stated for cleaning in Form 1217, line A.7 (b) ("Daytime Cleaning Premium"). Lessor shall obtain three bids in order to determine the annual contract costs for daytime cleaning and for 24/7 operations. The 24/7 Premium and the Daytime Cleaning Premium shall be invoiced by Lessor and paid by the Government on a monthly basis in arrears.

G. Attached as Exhibit I is an Asset Management Plan. The Government has been in possession of the buildings since they were originally constructed in 1988. Under the terms of the lease for the period from April 1, 1988 to September 30, 2008, the Government is and was responsible for maintenance, repair and testing of the buildings and to preserve the buildings and equipment in good working order and condition. Under this lease, effective October 1, 2008, Lessor assumes the responsibilities as provided herein. As the current, and only occupant of the premises, and the party most familiar with its condition, the Government accepts the Premises in their current "as is" condition. However, in addition to the Lessor's general maintenance obligations, the Lessor has specifically agreed to provide certain capital improvements to building shell and systems for which it has budgeted \$10,000,000.00 over the term of the lease. While Exhibit I identifies the capital improvements to be made to the buildings and the approximate timing of each improvement, the parties understand and agree that the precise timing, extent, or order of the improvements as set forth in Exhibit I may vary as determined by Lessor based upon all of the circumstances and the needs of the buildings once Lessor assumes responsibility for the maintenance, repair and testing of the

buildings.

H. The adjustment to the rent for space previously occupied by the Government and then vacated is \$1.00/BOASF, provided one full floor or more is vacated.

I. The Government shall provide Lessor with approximately 1,200 BOMA Office Area Square Feet of space suitable to conduct on site property management. In addition, the Government shall permit Lessor to have access to and to store items in the penthouses of both buildings. So long as these spaces are used to provide services to the Government, there shall be no charge to the Lessor for the use of this space.

J. Lessor and the Government shall negotiate a schedule for the design, construction and delivery of tenant improvements and shall execute a Supplemental Lease Agreement that sets forth the schedule.

K. Pursuant to SFO paragraph 9.2, the Government shall use reasonable efforts to process Background Security Checks for Lessor's employees, contractors, subcontractors, and suppliers with a routine need for access to the building as expeditiously as possible, but in no event in such a manner or with such timing as to hinder, delay, or increase the cost of performance of services or the delivery of supplies. Lessor will cooperate, and accommodate the security needs of the tenant agency to the greatest extent possible in the delivery of services and supplies;

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

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

1. The partial damage or destruction is less than 25% of the Premises;
2. The remainder of the Premises are tenantable and may be used for the purpose for which they were leased;
3. Lessor can demonstrate to the Government's satisfaction that the repair or restoration of the Premises to the condition that existed immediately prior to the damage or destruction can be substantially completed and the Premises reoccupied within 365 days of the damage or destruction and without unreasonable interference to the occupancy of the remainder of the Premises; and
4. Lessor gives the Government a credit for the rent paid by the Government for substitute space in excess of the rent for the same amount of space that would have been due under this lease, and reimburses the Government for its costs to move to the substituted space."

M. Prior to exercising a right to terminate the lease under General Clause 11 or 16, the Government will provide Lessor with written notice of the default and use reasonable efforts to provide the notice to the Lender as long as the Government is provided with the address for notification to the Lender, which notice shall provide Lessor and its Lender with at least a thirty (30) day period in which to cure the default. In addition, prior to exercising a right to terminate the Lease under General Clause 11 or 16 (a) (1), the Government shall provide Lessor with such additional time to cure the default as is necessary provided that Lessor shows that (1) it is diligently prosecuting the work required to cure the default, and (2) the default will be cured within a reasonable period of time, not to exceed a total of ninety (90), as determined by the Government. Any such additional time to cure the default shall be conditioned upon Lessor's continuing to diligently pursue the cure of the default throughout the period and upon a demonstration by the Lessor to the reasonable satisfaction of the Contracting Officer through the submission of a detailed schedule and construction management plan (including, if necessary, the use of double shifts, overtime, expedited shipping, and other appropriate acceleration strategies) that the default can be cured within a reasonable period of time which shall not exceed 90 days. Notwithstanding the opportunity to cure a default as provided herein, Lessor shall remain liable for any damages that result from its failure to perform its obligations in accordance with the Lease.

N. In giving or withholding its reasonable consent to assignment under General Clause 2, the Lessor may consider the creditworthiness of the proposed assignee, and the purpose for which the assignee will use the space. The Government shall notify Lessor within 10 days of any subletting.

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


LESSOR GOVT

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

- A. Exhibit A Floor Plans of the Leased Area, 25 pages
- B. Solicitation for Offers No. 07-031, 44 pages
- C. Attachment #4 Fire Life Safety Evaluation, 10 pages and Appendices I-IV
- D. GSA Form 1217, 2 pages
- E. GSA Form 3517, 32 pages
- F. GSA Form 3518, 7 pages
- G. Pre-Lease Security Survey
- H. Small Business Subcontracting Plan, 16 pages
- I. Asset Management Plan, 29 pages with 6 page schedule.

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

Paragraphs 4 and 5 have been deleted in the entirety.

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

Lessor: **California State Teachers' Retirement System**

By: Lowe Enterprises Investment Management, LLC, solely as agent

By:

Executive Vice President

B

Bleeker P. Seaman, President

11777 San Vicente Blvd, Ste. 900

ADDRESS Los Angeles, CA 90049

President

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LESSOR GOVT