

Execution Version

SUBLEASE AGREEMENT

BETWEEN

PERRY STREET PREP PUBLIC CHARTER SCHOOL  
"Sublessor"

and

CHARTER SCHOOL INCUBATOR INITIATIVE  
"Sublessee"

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Dated: \_\_\_\_\_, 2013

## SUBLEASE AGREEMENT

This Sublease Agreement (the "Agreement") is dated \_\_\_\_\_, 2013 by and between Perry Street Preparatory Public Charter School, a District of Columbia nonprofit corporation and Public Charter School, with offices at 1800 Perry Street NE, Washington, D.C. 20018, Attn: Garrett Mushaw, Facsimile Number 202/526-2212 f/k/a the HYDE LEADERSHIP PUBLIC CHARTER SCHOOL OF WASHINGTON, D.C., INC. (hereinafter "Sublessor"), and the Charter School Incubator Initiative, a District of Columbia nonprofit corporation, with offices at 910 17<sup>th</sup> Street NW #1100, Washington, D.C., Attn: S. Joseph Bruno, Facsimile Number 202-457-1980 (hereinafter "Sublessee").

### INTRODUCTORY STATEMENTS

A. In accordance with the Lease dated May 13, 2010 by and between The District of Columbia, a municipal corporation, as "Prime Landlord", and Sublessor, a copy of which is attached to this Agreement as Exhibit A ("Prime Lease"), Prime Landlord leased to Sublessor that certain real property located at 3825 18<sup>th</sup> Street NE in Washington, D.C. commonly known as the "Taft School", including a main building, annex building, and other improvements thereon as described in the Prime Lease; collectively hereafter referred to as the "Premises".

B. Sublessor has agreed to sublease a portion of the Premises to Sublessee consisting of approximately 44,513 square feet, including the annex building containing approximately 22,500 square feet of improvements consisting of approximately 14,693 square feet of improvements on the first floor and approximately 7,807 square feet of improvements on the second floor of said annex building as shown on the attached Exhibit B (the "Subleased Premises") and Sublessee has agreed to sublease such portion of the Premises from Sublessor, on the terms and conditions contained herein. The Subleased Premises does not include the remaining 6,885 square feet of improvements on the second floor of said annex building, which is controlled by the Sublessor.

C. Pursuant to Article XV, Section 15.01(F) of the Prime Lease, this Agreement is subject to the approval of Prime Landlord, and Sublessee has delivered to Sublessor written documentation executed by Prime Landlord confirming Prime Landlord's approval of this Agreement.

D. Sublessor and Sublessee desire to enter into this Agreement defining their respective rights, duties and liabilities relating to the Subleased Premises.

### WITNESSETH

NOW THEREFORE, Sublessor and Sublessee, in consideration of the mutual promises and covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and each with intent to be legally bound, for themselves and their respective successors and permitted assigns, agree as follows:

#### 1. AGREEMENT

Sublessor, for and in consideration of the Sublessee's payment of the Annual Base Rent (defined in Section 5 below) and performance of the covenants contained in this Agreement, does hereby sublease to Sublessee, and Sublessee does hereby sublease from Sublessor, the Subleased Premises. Except as otherwise provided herein, Sublessor shall deliver the Subleased Premises "as is" and Sublessee intends to cause to be constructed approximately Four Million Dollars (\$4,000,000) in improvements (both hard and soft costs) to the Subleased Premises ("Sublessee Improvements"). Sublessee shall use the Subleased Premises to rent to public charter schools and the conduct of charter school operations therein, including general office purposes consistent with the Permitted Use and per section 6.2(1)(viii) of that certain Loan Agreement dated May 1, 2010 by and between the District of Columbia and the Sublessor, the Sublessee is subject to those terms and provisions as of said Loan Agreement, but only as said terms and provisions apply to and relate to the Subleased Premises.

## 2. **PRIME LEASE**

This Agreement shall be subject and subordinate to all of the terms and conditions contained in the Prime Lease, but only as said terms and conditions apply to and affect the Subleased Premises, and, except as otherwise provided herein, all of the terms and conditions of the Prime Lease, except as otherwise set forth herein, are hereby incorporated into this Agreement and shall be binding upon Sublessee (and Sublessor, to the extent applicable) with respect to the Subleased Premises to the same extent as if Sublessee were named as tenant and Sublessor as landlord under the Prime Lease. For purposes of this Agreement, references in the Prime Lease to the premises, demised premises, or similar references in the Prime Lease shall mean the Subleased Premises. Each party agrees that it shall not do or omit to do anything which would result in a default under the Prime Lease, and each party agrees to indemnify and hold the other harmless from and against all claims, demands or liabilities resulting from such party's breach, violation or nonperformance of any of its obligations under the Prime Lease, as incorporated herein. Subject to the exceptions set forth herein, Sublessee shall be entitled to all of the rights and privileges of Sublessor as tenant under the terms of the Prime Lease with respect to the Subleased Premises.

3. **PRIME LANDLORD**

Sublessor shall have no liability whatsoever to Sublessee if the Prime Landlord fails to perform or fails to properly perform any services, maintenance, repairs, or other matters, obligations or actions to be performed by the Prime Landlord under the terms of the Prime Lease; provided, however, Sublessor will take all reasonable actions necessary to attempt to enforce the Sublessor's rights as tenant under the Prime Lease for the benefit of both Sublessor under the Prime Lease and Sublessee with respect to this Agreement. Such "reasonable actions" shall include, without limitation: (a) upon Sublessee's written request, immediately notifying Prime Landlord of its nonperformance under the Prime Lease, and requesting that Prime Landlord perform its obligations under the Prime Lease; and (b) with prior written consent from the Sublessor, which shall not be unreasonably withheld, permitting Sublessee to commence a lawsuit or other action in Sublessor's name to obtain the performance required from Prime Landlord under the Prime Lease; provided, however, that if Sublessee commences a lawsuit or other action, Sublessee shall pay all costs and expenses incurred in connection therewith, and Sublessee shall indemnify Sublessor against, and hold Sublessor harmless from, all claims made against or liability incurred by Sublessor, as well as all reasonable costs and expenses incurred by Sublessor in connection therewith.

4. **TERM**

The term of this Agreement shall commence on April 1, 2013 (the "Commencement Date"), and shall continue until July 31, 2034 (the "Expiration Date") (such period shall herein be referred to as the "Term"). At any time after April 1, 2018, Sublessee shall have the right to cancel this Agreement by providing Sublessor with prior written notice of at least one year, provided that (i) on or before the date Sublessee provides such termination notice to Sublessor, Sublessee has obtained releases of any and all liens secured by Sublessee's leasehold interest in the Premises; and (ii) Sublessee is not in default under the terms of this Agreement at the time it provides such notice or on the effective date of such termination

5. **ANNUAL BASE RENT**

The Annual Base Rent for the Subleased Premises for the Term shall be \$128,700 triple net to Sublessor (\$5.72 per square foot).

Commencing on the Commencement Date and continuing through May 31, 2025, provided the Sublessee is not in default of the Agreement, Sublessee's Annual Base Rent shall abate on a dollar-for-dollar basis in an amount equal to the actual amount of the Sublessee's expenditures in connection with the Sublessee Improvements (excluding Sublessee's personal property), up to Four Million Dollars (\$4,000,000) ("Sublessee Rent Abatement"). Sublessee shall provide Sublessor with written documentation of any and all Sublessee expenditures to be included as part of the Sublessee Rent Abatement.

Commencing June 1, 2025 and continuing through the expiration date, provided that Sublessee is not in default of the Agreement, the then-remaining balance of Sublessee's Improvements (excluding Sublessee's personal property) which have not theretofore been

applied as a Sublessee's Rent Abatement shall be amortized over the remaining term of this Agreement, and such amortized amount shall be applied as Sublessee's Rent Abatement against each monthly installment of the Annual Base Rent due and payable by Sublessee until the expiration of the Agreement.

Any failure to complete Sublessee Improvements beyond any applicable notice and cure periods (as applied to the Sublessee Improvement Plans in accordance with the provisions of Section 16.01.A of the Prime Lease) shall result in an adjustment to Sublessee's Rent Abatement. In such event, Sublessee shall receive abatement only for that portion of Sublessee Improvements actually completed by Sublessee, and the Annual Base Rent will increase to include the unsatisfied portion of the Sublessee Rent Abatement. Notwithstanding the foregoing or anything to the contrary contained elsewhere herein, Sublessee shall not be entitled to Sublessee Rent Abatement on any day during the Term which a monetary or material non-monetary Default by Sublessee exists.

## 6. ASSIGNMENT AND SUBLEASING

Sublessee shall not have the right to assign this Agreement or sublet the Subleased Premises, in whole or in part, without the prior written consent of Sublessor and Prime Landlord (to the extent required under the Prime Lease). By execution of this Agreement, Sublessor consents to Sublessee's sub-sublease to Latin American Montessori Bilingual Public Charter School in the form attached hereto as Exhibit D. Sublessor shall have the right to assign its interest in this Agreement to the extent permitted under the Prime Lease.

## 7. DEFAULT

a. If Sublessee defaults in the performance of any of the covenants, conditions or agreements contained in this Agreement or the Prime Lease and fails to cure the same within ten (10) days after receipt of written notice from Sublessor for monetary defaults and within thirty (30) days after receipt of written notice from Sublessor for non-monetary defaults, regardless of any longer cure periods set forth in the Prime Lease (unless (i) such non-monetary default is a default or causes a default under the Prime Lease for which no cure period is provided in the Prime Lease, in which case there shall be no cure period under this Agreement, and (ii) such non-monetary default is incapable of being cured within thirty (30) days, in which event Sublessee shall have an additional reasonable period of time if it diligently commences and proceeds to cure the same but not to exceed an additional ninety (90) days), Sublessor shall be entitled to invoke against Sublessee the remedies which are available to Prime Landlord under the Prime Lease and any other remedy available at law or equity.

c. In the event either party hereto brings or commences legal proceedings to enforce any of the terms of this Agreement, the successful party in such action shall then be entitled to receive and shall receive from the other of said parties, in every such action commenced, a reasonable sum as attorney's fees and costs, to be fixed by the court in the same action.

## 8. COMPLIANCE WITH LAWS

In addition to any obligations under the Prime Lease, Sublessee, at its sole expense, shall promptly comply with all statutes, ordinances, rules, orders, regulations and requirements of the Federal, State and municipal governments and of any and all their Departments and Bureaus ("Applicable Laws") applicable to the use and occupancy of the Subleased Premises by Sublessee. Notwithstanding the foregoing, Sublessee shall not be responsible for the compliance of the Premises (except the Subleased Premises and any condition caused by Sublessee's activities on or about the Premises) or the Property with any Applicable Laws. Sublessee shall maintain or cause the Subleased Premises to be maintained in good condition and repair throughout the Term. Notwithstanding anything in this Agreement to the contrary, Sublessee shall not be required to comply with or cause the Subleased Premises to comply with any Applicable Laws or insurance requirements requiring the construction of alterations unless such compliance is necessitated by Sublessee's use or operation of the Subleased Premises.

9. **LIMITATIONS ON SUBLESSOR'S LIABILITY**

Sublessee acknowledges that Sublessor has made no representations or warranties with respect to the Premises or the Subleased Premises or any fixtures, equipment or other personal property of Sublessor included with the Subleased Premises except as provided in this Agreement and, except as otherwise provided herein, Sublessee accepts the Subleased Premises and any such personal property in AS IS condition.

10. **CASUALTY AND CONDEMNATION**

In the event of casualty or condemnation, if the Prime Lease is terminated with respect to the Premises pursuant to the provisions of the Prime Lease, this Agreement shall automatically terminate at the same time and Sublessee shall have no claim against Sublessor or Prime Landlord for the loss of its interest or any of Sublessee's property; provided, however, Sublessee may pursue its claim against the appropriate governmental body. If the Prime Lease is not terminated but, nevertheless, the Subleased Premises is not useable for Sublessee's business as a result of a casualty or condemnation and will continue to be so unusable for at least another one hundred eighty (180) days after the same, Sublessee shall have the right to terminate this Agreement in which event the parties shall have no further liabilities or obligations to each other hereunder.

11. **NOTICES**

All notices given pursuant to the provisions of this Agreement shall be in writing, addressed to the party to whom notice is given and hand delivered or sent registered or certified mail, return receipt requested, in a postage paid envelope or by nationally recognized overnight delivery service to the addresses set forth above.

It is understood and agreed that unless specifically modified by this Agreement, Sublessor shall be entitled to the length of cure period required to be given to the Prime Landlord under the Prime Lease plus three (3) days and shall be entitled to give Sublessee the amount of

cure period required to be given tenant under the Prime Lease less three (3) days; but in all events no less than five (5) days.

All notices shall be deemed given upon receipt or rejection.

Either party by notice to the other may change or add persons and places where notices are to be sent or delivered. In no event shall either party to this Agreement designate more than three (3) persons to whom it shall request notices be sent in addition to any notice requirements of Prime Landlord.

12. **BROKERS**

Sublessor and Sublessee each warrants to the other that in connection with this Agreement it has not employed or dealt with any broker, agent or finder. Each party shall indemnify and hold the other party harmless from and against any claim for brokerage or other commissions asserted by any broker, agent or finder.

13. **COUNTERPARTS**

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which, when taken together, shall constitute one and the same instrument.

14. **GOVERNING LAW**

This Agreement shall be governed by and construed and interpreted in accordance with the laws of the District of Columbia (without reference to choice of laws principles thereof).

15. **MAINTENANCE, REPAIRS AND ALTERATIONS**

Sublessee shall keep and maintain the Subleased Premises in good condition and repair throughout the Term and in accordance with the provisions of Article X, Section 10.02 of the Prime Lease.

Notwithstanding any provisions in the Prime Lease to the contrary, Sublessee shall obtain the advance written consent of Sublessor prior to performing any Alterations to the Subleased Premises, including but not limited to Alterations that alter the landscaping or other exterior portion of the Subleased Premises.

In the event that roof requires repairs, Sublessor and Sublessee shall pay their proportionate share of said repairs using their respective square footages as a percentage of the total annex building square footage. The proportionate shares for the Sublessor is 23.4% and the Sublessee is 76.6% using a total annex building square footage of 29,385 square feet and 22,500 and 6,885 square feet for the Sublessee and Sublessor respectively.

16. **SURRENDER**

Sublessee's obligations with respect to the surrender of the Subleased Premises shall be fulfilled if Sublessee surrenders possession of the Subleased Premises in the condition existing upon completion of Sublessee Improvements, excepting ordinary wear and tear, casualties (unless caused by Sublessee), and condemnation.

17. **WAIVER OF SUBROGATION**

Notwithstanding anything in this Agreement to the contrary, Sublessor and Sublessee hereby release each other and their respective agents, employees, successors, assignees and sublessees from all liability for damage to any property that is caused by or results from a risk which is actually insured against, which is required to be insured against under the Prime Lease or this Sublease, or which would normally be covered by "all risk" property insurance, without regard to the negligence or willful misconduct of the person or entity so released. All of Sublessor's and Sublessee's repair and indemnity obligations under this Sublease shall be subject to the waiver and release contained in this paragraph. Each party shall cause each insurance policy it obtains to provide that the insurer thereunder waives all recovery by way of subrogation as required herein in connection with any injury or damage covered by such policy.

18. **SUBLESSOR'S OBLIGATIONS**

Sublessor shall fully perform all of its obligations under the Prime Lease to the extent Sublessee has not expressly agreed to perform such obligations under this Sublease. In the event of casualty, Sublessor shall satisfy its obligations as set forth in Article XI of the Prime Lease.

19. **TRIPLE NET LEASE**

This is a triple net sublease and Sublessor shall not be required to provide or pay for any service or do any act or thing with respect to the Subleased Premises or the appurtenances thereto. Sublessee shall pay the Rent to Sublessor without any claim on the part of Sublessee for diminution, set off, demand or abatement, and nothing shall suspend abate or reduce any Rent to be paid hereunder, except as otherwise specifically provided in this Agreement. Sublessee shall be responsible for all operating costs, expenses, utilities, insurance costs, and taxes associated with the Subleased Premises for the duration of the Term, except as expressly set out in this Sublease. As of the Commencement Date, Sublessee shall comply with the insurance requirements of Article VIII of the Prime Lease.

20. **UTILITIES**

Sublessee shall pay for all water, gas, electricity, telephone, sewer, heat, steam, fuel, snow removal, landscaping, hot water, and all other services and utilities of every kind and nature supplied to the Subleased Premises from and after the Commencement Date. Sublessee shall be solely responsible for the connection, hook-up, tap-ins, and sub-metering to utility lines,



and arrangements for utility service, including the payment of all impact fees, deposits, fees and all other charges and costs incurred in connection therewith during the Term of this Agreement. Sublessor shall reasonably cooperate with the Sublessee, at no cost to the Sublessor, to cause such utilities and services, if any, to be secured by the Sublessee. Sublessee will reimburse Sublessor as Additional Rent for any utilities and services that are not separately metered or otherwise specifically allocated to the Subleased Premises on a monthly basis based on increase over the Base Year. The "Base Year" is defined as the same period in the year prior to commencement of this Sublease (i.e. April 1, 2012 to March 31, 2013).

21. **REIMBURSEMENT OF CAPITAL IMPROVEMENTS**

Sublessee agrees to reimburse Sublessor for certain capital improvements (roof repairs and asbestos abatement) made to the Subleased Premises of \$131,333. Sublessee shall remit reimbursement to the Sublessor upon closing of the financing of the Sublessee Improvements. Sublessee hereby acknowledges that such roof repair and asbestos abatement have been completed.

22. **SUBLESSEE IMPROVEMENTS**

Sublessee hereby acknowledges that all Sublessee Improvements and other alterations to the Subleased Premises are subject to the prior approval of Prime Landlord pursuant to the Prime Lease. Sublessee shall be responsible for all costs and expenses of requesting and obtaining such approvals. Attached hereto as Exhibit C are Sublessee's construction plans for the Sublessee Improvements which have been approved by Sublessor ("Sublessee Improvement Plans"). Any changes to the Sublessee Improvement Plans shall be subject to the advance written consent of Sublessor. In performing Sublessee Improvements or any other alterations to the Subleased Premises, Sublessee shall not obstruct, hinder, or reduce Sublessor's ingress to, egress from, or access to any portion of the Premises or unreasonably interfere with Sublessor's use or operation of the Premises. Sublessee shall use reasonable efforts to minimize noise, dust, and any other nuisance during Sublessor's general business hours. In the event that performance of Sublessee's Improvements necessitate a temporary unavailability of any utility service to the Premises, Sublessee shall coordinate the scheduling of such work at a time that is agreeable to Sublessor.

Sublessee shall not enter any mortgage, deed of trust, or and other document or agreement for which any portion of the Premises is used as security unless Sublessee first obtains the written consent of Sublessor.

Sublessee shall be fully liable for, and hereby indemnifies and agrees to hold harmless Sublessor, its Board of Trustees, employees, agents and members from any and all injuries, damages, causes of action, claims or obligations and any consequential and incidental damages arising out of or related to any acts, omissions or negligence on the part of the Sublessee, its contractors, agents, subcontractors, employees and any person or entity under its control pursuant to the Sublessee Improvements or otherwise under the Agreement.

23. **EXCLUSIONS**

Sublessee shall not install any equipment or devices on the roof of the Building without the prior written consent of Sublessor. This Agreement does not convey to Sublessee any rights with regard to the Taft Building Field.

[Signature page to follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be properly executed as of the day and year first above written.

SUBLESSOR:

PERRY STREET PREPARATORY PUBLIC  
CHARTER SCHOOL

By: \_\_\_\_\_

Name:

Title:

SUBLESSEE:

CHARTER SCHOOL INCUBATOR INITIATIVE

By:  \_\_\_\_\_

Name: Paul R. Leleck

Title: Chief Financial Officer