

LEASE AGREEMENT
BETWEEN
MONTGOMERY COUNTY, MARYLAND
AND
NOBEL LEARNING COMMUNITIES, INC.
DATED
TABLE OF CONTENTS

Article

1. Property; Leased Premises; Building; Adjacent Parcel
2. Term
3. Use of the Leased Premises
4. Rent; Rental Adjustments
5. Termination
6. Use of All-Purpose Room by the Community, Department of Recreation and other County Agencies
7. Use Exterior Play Areas and Fields on Leased Premises and Adjacent Parcel
8. Parking
9. Capital Improvements
10. Operating Expenses
11. Fixtures and Equipment
12. Condition of Premises
13. Liability, Property Damage and Fire Insurance
14. Indemnification
15. Tenant's Duties and Covenants
16. Damages to or Destruction of Leased Premises and Adjacent Parcel
17. Default
18. Eminent Domain
19. Subleasing
20. Right of Entry
21. Return of the Leased Premises
22. Holdover
23. Assignment
24. The County's Title and Covenant of Quiet Enjoyment
25. Cumulative Remedies
26. Benefit and Burden
27. Disputes

28. Waiver
29. Non-Discrimination
30. Contract Solicitation
31. Ethics Requirement
32. Force Majeure
33. Resident Agent
34. Mailing Notices
35. Indemnity Bond
36. Indemnification by County
37. Governing Law
38. Claims
39. Right of Redemption
40. Rules and Regulations
41. Community Coordinating Group
42. Traffic Management Plan

Exhibit A - Deed [Background 1]

Exhibit B-1 - Legal Description of Property
[Background 1]

Exhibit B-2 – Plat of Property and Leased
Premises [Article 1]

Exhibit C - Adjacent Parcel [Article 1]

Exhibit D-1 – Capital Improvements Completion
Report [Article 9]

Exhibit D-2 – Phase 1 Capital Improvements
[Article 9.E]

Exhibit E – Prior Lease Agreement [Article 12]

Exhibit F – Insurance Requirements [Article
13.A]

Exhibit G – Rules and Regulations [Article 40]

Exhibit H-1 – Traffic Management Plan [Article
42]

Exhibit H-2 – State of Maryland Department of
Human Resources Child Care
Administration License [Article 3]

Exhibit I - Maintenance Standards [Article 7]

Exhibit J – Certificate of Good Standing [Article
15.F]

LEASE AGREEMENT

THIS LEASE AGREEMENT (the "Lease"), dated this 10TH day of MARCH, 200~~8~~⁶, by and between MONTGOMERY COUNTY, MARYLAND, a political subdivision of the State of Maryland (hereinafter, together with its successors and assigns called "the County"), and NOBEL LEARNING COMMUNITIES, INC., a Delaware corporation qualified to do business in the State of Maryland (hereinafter, together with its successors and assigns called "the Tenant") (the County and the Tenant together the "Parties").

BACKGROUND:

1. The County is the owner of a former public school site known as the Alta Vista Elementary School in Bethesda, Montgomery County, Maryland (the "Property"), which was declared surplus by the Board of Education of Montgomery County and the State Board of Public Works and conveyed by the Board of Education to the County by deed recorded among the Land Records for Montgomery County, Maryland in Liber 4829 at Folio 464 (the "Deed"). A copy of the Deed is incorporated by reference and made a part of this Lease as Exhibit A. The Property is more particularly described in the Legal Property Description which is incorporated by reference and made a part of this Lease as Exhibit B-1.; and
2. The Tenant is the operator of the Bethesda Country Day School, which offers a curriculum for pre-school (ages 2 through 5), junior kindergarten, kindergarten, kindergarten programs, before and after school programs and summer programs; and
3. The County has completed the reuse procedure and has obtained necessary approvals to lease the Property to the Tenant, as set forth in Executive Regulation 4-99AM, Code of Montgomery County Regulations (COMCOR) Section 11B.45.02 ("ER 4-99"), and the Tenant was selected as an appropriate tenant for the Property by the County and in accordance with County law, rules and regulations; and
4. The County and Tenant wish to enter into a ten (10) year lease agreement which incorporates all of the terms prescribed for such leases in ER 4-99;

NOW THEREFORE, in consideration of the terms of this Lease, and for the construction of certain substantial Qualified Capital Improvements to be made to the Property by the Tenant as provided in Article 9 below, including the payment of rent by the Tenant to the County as provided below, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. PROPERTY; LEASED PREMISES; BUILDING; ADJACENT PARCEL:

- A. The "Leased Premises" shall mean the area shown as cross hatched on Exhibit B-2. The County leases to Tenant and Tenant leases from the County the Leased Premises located on the Property, including all improvements, including, without limitation the Building (as defined below), walkways, play areas, parking lots, driveways, outdoor recreation fields and land located on the Leased Premises, and the right to occupy the Adjacent Parcel (as defined below) pursuant to the terms set forth in this Lease. The "Building" shall mean the Alta Vista Elementary School, 5615 Beech Avenue, Bethesda, Maryland that is located on the Leased Premises. The "Adjacent Parcel" shall mean the play areas and outdoor recreation fields located on the land contiguous to the Leased Premises and as shown as double cross hatched on Exhibit C. The Leased Premises, of which the Building is a part, the Adjacent Parcel, and the land upon which the same is located, are hereinafter collectively referred to as the "Property". The Leased Premises and the Adjacent Parcel are leased and accepted by Tenant in "as is" condition.
- B. Tenant hereby acknowledges that entering into this Lease shall not provide the Tenant with an option to buy the Property or any portion thereof.

2. TERM: The term of this Lease (the "Term") is for ten (10) years unless extended by mutual written agreement between the Parties. The Commencement Date of this Lease is July 1, 2006. Each twelve (12) month period, commencing with the Commencement Date, shall be referred to as a "Lease Year." Tenant and the County acknowledge that this Lease is contingent upon the approval of the Board of Public Works of the State of Maryland, and that the County shall therefore

submit a copy of this Lease to the Board of Public Works for approval. If approval by the Board of Public Works is not granted, then this Lease and any subleases entered into by the Tenant hereunder shall be null and void as of the date of action by the Board of Public Works.

3. USE OF THE LEASED PREMISES: The Leased Premises shall be used (i) for preschool (ages 2-5), junior kindergarten, kindergarten, kindergarten programs, before and after school programs, summer programs (the "Permitted Use"), and (ii) for community and the County's use as set forth in Articles 6 and 7 of this Lease. Tenant agrees that its use of the Leased Premises, including any use of the Leased Premises by subtenants pursuant to Article 19 herein, shall conform fully with all applicable zoning ordinances, and shall be subject to all rules, regulations, statutes, permits or any other requirements for the use and occupancy of the Leased Premises as established by all appropriate authorities having jurisdiction, including ER 4-99, dealing with the Reuse, Leasing and Sale of Closed Schools by the County. As required by ER 4-99, Paragraph 6.12, Tenant agrees that all uses of the Leased Premises shall comply with the State of Maryland Department of Human Resources Child Care Administration License issued according to Family Law Article, Sections 5-570 through 5-585, and COMAR 07.04.02, License Number 15-35998, a copy of which is attached hereto and incorporated herein by reference as Exhibit H-2, as such License may be revised and amended from time to time. Tenant agrees that, in addition to (i) the student occupancy numbers as set forth in such License (which shall in no event exceed 290 students), (ii) a nominal number of daily visitors, and (iii) parents who are visiting or dropping off and picking up their students, all uses of the Leased Premises shall generate a total occupancy of teachers, other staff and vendors not to exceed thirty-two(32) persons. Special events organized by Tenant or its subtenants, which bring large numbers of visitors to the facility shall be coordinated through the community coordinating group established in Article 41 below, with the goal of mitigating traffic and parking on the adjacent community.

4. RENT: RENTAL ADJUSTMENTS:

A. Rent: For the first Lease Year, Tenant shall pay to the County an annualized rental amount of One Hundred Five Thousand and No/100 Dollars

(\$105,000.00) payable in twelve (12) equal monthly installments of Eight Thousand Seven Hundred Fifty and No/100 Dollars (\$8,750.00) (the "Rent"). For each Lease Year thereafter during the Term, the Rent shall be adjusted pursuant to Article 4D below.

- B. Due Date for Rent: The first monthly payment shall be due upon the Commencement Date. All Rent is to be made in advance on the first day of each month during the Term and shall be payable to: Montgomery County Government, Leasing Management, P.O. Box 62077, Baltimore, Maryland 21264-2077.

- C. Failure to Pay Monthly Rent: Should Tenant fail to submit monthly Rent in accordance with this Lease, and if Tenant's failure continues for more than five (5) calendar days after receipt of written notice from the County, Tenant shall pay to the County, in addition to and as a part of the monthly Rent in question, a late penalty equal to five percent (5%) of the monthly Rent. If Tenant's failure to pay continues for more than fifteen (15) calendar days after receipt of the aforesaid written notice from the County, Tenant shall pay to the County, in addition to and as a part of the monthly Rent in question and the aforesaid late penalty, an additional late penalty equal to ten percent (10%) of the monthly Rent. Any late penalty imposed under this Paragraph shall be payable to the County as Additional Rent, and shall be paid at the time that the overdue installment of Rent is paid to the County by Tenant.

- D. Rent Adjustments: As required by ER 4-99, Paragraph 6.7, to the annual Rent payable by Tenant during the previous Lease Year shall be added that sum representing one hundred percent (100%) of the amount resulting after (1) multiplying said annual Rent payable during the previous Lease Year by a fraction, the numerator of which shall be the index now known as the U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price index for All Urban Consumers, National Average, All Items (1984 = 100), or its successor, for the month two months prior to the last month of the previous

Lease Year and denominator of which shall be said index for the month two months prior to the first month of the previous Lease Year and (2) subtracting from such product the annual Rent payable during the previous Lease Year. The Tenant's adjusted annual Rent shall not be less than 103%, nor more than 105% of the Rent paid by Tenant the previous year.

- E. Re-Renting Leased Premises: The County may, by appropriate proceedings, recover the Rent then due, or, at its option, the County may re-rent from time to time the Leased Premises, and such re-renting may be for a term or terms equal to, less, or greater than the remaining term hereunder. The Tenant shall not be liable for any deficiency in Rent for any part of the term of such re-renting beyond the term of this Lease. County shall be entitled to collect the Rent accruing under such re-renting and to apply the same first to Rent and then to any costs and expenses, including "standard" improvements and repairs necessary for re-renting, and reasonable attorney's fees incurred in connection with such re-renting and collection of Rent. The County may, at the County's option, attempt to recover any remaining deficiency or unrecovered sums from the Tenant. In the event of any suit by the County to recover possession, or for unpaid Rent, the County shall also be entitled to recover costs of suit, including reasonable attorney's fees.

5. TERMINATION:

- A. Termination for Convenience: This Lease and all rights and obligations hereunder may be terminated by the County, for any reason, at any time and at no cost to the County, whenever the Chief Administrative Officer shall determine that termination of this Lease is in the best interest of the County. A termination pursuant to this Article 5.A. shall be a "Termination for Convenience." Such termination shall be effective to Tenant on the later to occur of (i) one hundred eight (180) days after delivery to Tenant of written notice, or (ii) the date specified in a written notice as the termination date.

B. Termination for Reuse: As required by ER 4-99, Paragraph 6.2, this Lease and all rights and obligations hereunder may be terminated by the County due to a request by the Board of Education for Montgomery County, Maryland (the "BOE") to retrieve and reuse the Lease Premises for public education purposes. A termination pursuant to this Article 5.B. shall be a "Termination for Reuse" and shall be made in accordance with the procedures below:

1. Upon written notice to the Tenant of not less than (i) Eighteen (18) months before the proposed termination date, or (ii) the remaining Term, if the remaining Term is less than eighteen (18) months.
2. Superintendent of Schools for the BOE shall notify in writing both the Tenant and the Chief Administrative Officer of Montgomery County (the "CAO"), on or before September 1 of the second Lease Year before the proposed termination date on any June 30th that the BOE shall need the school for public educational purposes. For example, in order to retrieve and reuse the Leased Premises after June 30, 2008, a Termination for Reuse notice shall be given to the Tenant on or before September 1, 2006.
3. If a notice of Termination for Reuse is given to Tenant, but the Montgomery County Council does not approve such a reuse and does not appropriate sufficient funds to retrieve and reuse the Leased Premises, the CAO may, after consulting with the BOE, withdraw the termination notice by written notice to the Tenant on or before June 30th of the Lease Year immediately prior to the proposed termination date. For example, in order for a withdrawal of a Termination for Reuse to be effective on June 30, 2008, notice of such withdrawal must be given no later than June 30, 2007.
4. In the event the Tenant is operating the Leased Premises as a private school, the County agrees that under no circumstances shall the

Tenant be required to surrender the Leased Premises during the normal and usual school year, defined to be September 1 to July 1.

6. USE OF ALL-PURPOSE ROOM BY THE COMMUNITY, DEPARTMENT OF RECREATION AND OTHER COUNTY AGENCIES:

- A. Community Use of Public Facilities: As required by ER 4-99, Paragraph 6.14, and subject to a nominal charge for utilities to be jointly determined by Tenant and the County's Office of Community Use of Public Facilities or its successor agency (the "CUPF"), any All-Purpose Room within the Leased Premises shall remain available to the community for use during hours outside of the Tenant's activities and regular use during the Term, subject to the terms herein. For the purposes of this Lease, "Tenant's activities" are defined as those programs and activities directly related to the Tenant's approved occupants and the "hours of Tenant's regular use" are Monday through Saturday from 9:00 A.M. to 6:00 P.M. Tenant shall forward all requests to use any All-Purpose Room outside of the hours of Tenant's regular use directly to CUPF. CUPF shall honor such requests in accordance with the priorities established in the Guidelines for the Community Use of Educational Facilities and Services set forth in Chapter 44 of the Montgomery County Code (1994), as amended. Tenant acknowledges and agrees that only CUPF may agree to any rental of any All-Purpose Room. Tenant agrees to provide CUPF with a schedule of its activities during Tenant's hours of regular use and outside the hours of Tenant's regular use for any All-Purpose Room on a semi-annual basis. The Fall/Winter schedule (October-March) shall be submitted by September 15 and the Spring/Summer schedule (April-September) shall be submitted by February 1. Times not scheduled for daytime activities by the Tenant shall be deemed to be available for community use; however, such community use during hours outside of the hours of Tenant's regular use shall be limited to Monday through Saturday at night from 6:00 P.M. to 11:00 P.M. and all day Sunday from 9:00 A.M. to 11:00 P.M. The above notwithstanding, each party agrees to honor and allow

any activities scheduled in any All-Purpose Room prior to the Commencement Date. Any use outside of the hours of Tenant's regular use by the Tenant deviating from its previously submitted schedule shall be subject to the approval of CUPF. Tenant agrees to make any All-Purpose Room available, upon request from CUPF, to the Montgomery County Supervisor of Elections for use as a polling facility during the day, if necessary, during primary, general and special elections, irrespective of Tenant's prior scheduled activities.

- B. Tenant Limitation: The Tenant shall not be responsible for (i) providing security and safety measures for the Leased Premises, including, without limitation any All-Purpose Room, during such community, CUPF and County use, or (ii) mitigating the traffic and parking burdens placed on the adjacent community during such community, CUPF and County use.

7. USE OF EXTERIOR PLAY AREAS AND FIELDS ON LEASED PREMISES AND ADJACENT PARCEL:

- A. Tenant shall have the exclusive right to use and occupy the Leased Premises, including without limitation all improvements located thereof, including the Building, walkways, play areas, parking lots, driveways, outdoor recreation fields and land located on the Leased Premises, in accordance with the terms and conditions set forth in this Lease. Notwithstanding the foregoing, the County shall have the non-exclusive right to use and occupy the play areas and outdoor recreation fields located on the Leased Premises (the "Exterior Play Areas and Fields on the Leased Premises") for community and/or County use after 5:00 p.m., Monday through Friday and all day on Saturday and Sunday unless the Tenant needs the Exterior Play Areas and Fields on the Leased Premises for a scheduled activity.
- B. Tenant shall have the exclusive right to use and occupy the Adjacent Parcel, including without limitation the outdoor recreation areas, play areas and fields

located on the Adjacent Parcel, at all times during the hours of Tenant's regular use, and Tenant shall have the non-exclusive right to use and occupy the Adjacent Parcel outside of the hours of Tenant's regular use as approved by CUPF as set forth below. Notwithstanding the foregoing, as required by ER 4-99, Paragraph 6.15, the County shall have use of the Adjacent Parcel for community and/or County use after 5:00 p.m., Monday through Friday and all day on Saturday and Sunday, unless the Tenant needs the field(s) for a CUPF approved regular scheduled program or an exception is approved by CUPF. Tenant agrees to and shall work together with the Parks Department of the Maryland-National Capital Park and Planning Commission, the County's Recreation Department, and CUPF to resolve the use and scheduling of the Adjacent Parcel. As consideration for Tenant's use of the Adjacent Parcel, the Tenant shall maintain such areas to the same standards as outdoor recreation areas maintained by the Parks or Recreation Department, as per the maintenance standards made a part of this Lease as Exhibit I.

8. PARKING: Tenant is entitled to full use of the parking facilities which are a part of the Leased Premises as of the Commencement Date. As required by ER 4-99, Paragraph 6.13, parking for Tenant and any other occupants of the Building, their staff, clients and guests shall be confined to the surfaced parking areas located on the Leased Premises. Tenant may not use or permit any other occupants of the Building, their staff, clients, and guests to use on-street parking in such a way that deprives the nearby property owners of their beneficial use of the public right of way or in any manner that violates the Traffic Management Plan described in Paragraph 42. Subject to all approvals required by all applicable laws, regulations, ordinances and codes, including, without limitation, mandatory referral as required by County regulations, and subject to all of the provisions of this Lease, Tenant may expand the parking facilities to support the Leased Premises, with the express written consent of the County. Tenant shall, at Tenant's risk and expense, be responsible for the ongoing maintenance, cleaning, and repair of all parking facilities, whether in existence at the time of commencement of this Lease or expanded in accordance with this Article. The Tenant shall grant access to all parking facilities to the County's representatives at all times, or to community users of the Leased Premises during times of community use as set forth in Articles 6 and 7 above. Tenant agrees to make repairs as necessary to maintain all of the parking areas in a safe state and as

necessary for compliance with any laws, including, but not limited to the Americans with Disabilities Act [42 U.S.C. 12101, et. seq.]

9. CAPITAL IMPROVEMENTS:

A. Capital Improvement Definitions:

1. Elective Capital Improvements are improvements or additions made by Tenant which:
 - a. Increase the value of the Leased Premises to the County;
 - b. Are not required to protect or preserve the Building structure or systems; and
 - c. Are not mandated by County, State, or Federal law, code ordinance or regulation.
 - d. By way of examples, and not intended to be a complete list, Elective Capital Improvements include but are not limited to work such as installation of program specific improvements (e.g., rock climbing walls, boxing rings, raised platform floors, etc.).

2. Non-Elective Capital Improvements are improvements or additions made by Tenant which:
 - a. Increase the value of a closed school to the County;
 - b. Are required to protect and preserve the Building structure or systems; or
 - c. Are mandated by County, State, or Federal code, law ordinance and/or regulations.
 - d. By way of examples, and not intended to be a complete list, Non-Elective Capital Improvements include but are not limited to work such as roof replacement, boiler replacement, HVAC system replacement, replacement of failing exterior structural walls, electrical system

replacement, conversion from oil fired boilers to gas heat, asbestos removal, underground storage tank removal, window replacement (excepting window pane replacements), and ADA mandated improvements.

3. Qualified Capital Improvements are Elective or Non-Elective Capital Improvements that have been reviewed and approved in writing by the County and that are specifically identified in the County's written approval as Qualified Capital Improvements.

B. As Required by ER 4-99, Paragraph 6.4, Approval Process for Non-Elective and Elective Capital Improvements:

1. Tenant shall obtain the prior written consent of the County for all Capital Improvements. Tenant shall submit to the County complete plans, drawings, specifications, or quotes, at least 45 days prior to beginning work. Tenant's submittal to the County shall be of sufficient detail and content to permit the County to fully evaluate Tenant's proposed project. In the event the proposed Capital Improvements are Elective Capital Improvements, two copies of the submission shall be sent by Tenant to the County. The County shall coordinate review with the BOE of any proposed improvement that may affect the future educational use of the Leased Premises. The County shall respond in writing to Tenant's submission within 45 days of the receipt of all required documentation. The County reserves the right to deny approval of any and all Capital Improvements proposed by Tenant.
2. In the event of an emergency need for a capital improvement, Tenant shall notify the County immediately, and the County shall respond within a reasonable and appropriate period of time, as dictated by the emergency situation.

3. The County has the right to inspect all work and materials before, during and after construction.
4. Within thirty (30) days after receipt by the County of Tenant's notice of completion of the Qualified Improvements, representatives of the County and Tenant shall meet to inspect such Capital Improvements in order to ensure that such Capital Improvements are in compliance with the plans and specifications previously approved by the County. After such inspection, the County and Tenant shall complete the "Capital Improvements Completion Report" attached hereto as Exhibit D-1. In the event of a material deficiency from such plans and specifications, Tenant shall repair such deficiencies at Tenant's expense, and the County and Tenant shall meet again, within thirty (30) days after receipt by the County of Tenant's notice of completion of such repairs, to inspect such repairs and complete the Capital Improvements Completion Report. In the event Tenant shall fail to make such repairs, the County shall have the right to make such repairs and charge Tenant as Additional Rent the County's reasonable costs for such repairs. The cost of such corrective measures is not eligible for Rent credit and/or reimbursement.
5. The total cost of all Capital Improvements shall be borne solely by Tenant and shall be subject to a Rent credit and/or reimbursement from the County as set forth below. In the event Tenant is eligible for a Rent credit, such Rent credit shall commence with the first installment of Rent due after the completion of the Capital Improvements Completion Report. Tenant shall be solely responsible for obtaining any and all permits, approvals and licenses from all appropriate County, State, and/or municipal authorities having jurisdiction over such work.

6. Tenant shall comply with all applicable zoning, land use, health and safety regulations. This includes, specifically and without limitation, Section 59-G-2.19 of the 2004 Montgomery County Code, which requires site plan review for any expansion of an existing private school building that would exceed the lesser of (a) 7,500 square feet, or (b) a 15% increase over the size of the Building existing on February 1, 2000, and for the installation of any portable classrooms within the Leased Premises for a period longer than one year.

C. As required by ER 4-99, Paragraph 6.8, Rent Credits for Capital Improvements: The County may credit the Tenant's annual Rent in an amount not to exceed fifty percent (50%) of the annual amortized cost of Qualified Capital Improvements. Said annual Rent credit shall be subject to the following conditions:

1. The total of all Rent credits shall not exceed fifty (50%) of the Tenant's annual Rent as set forth in this Lease.
2. Tenant shall not be entitled to Rent credits for any finance charges, fees, administrative costs, performance bonds, permit fees, insurance, operating, maintenance, or repair expenses, or any other costs except the actual costs directly related to the design and construction and/or installation of Capital Improvements, which costs shall be fully documented by Tenant.
3. Capital Improvements completed by Tenant without the prior written approval of the County shall not receive Rent credit.
4. The County has the right to audit all construction or other costs for which Tenant requests Rent credits.

5. As required by ER 4-99, Paragraph 6.4(c), in the event the work performed requires repairs pursuant to Article 9.B.4 above, the costs of such corrective measures are not eligible for Rent credit.
6. Rent credits for Elective Capital Improvements shall be made only to the degree that said improvements are determined, at the reasonable determination of the County, to be of value to the County and/or the BOE.
7. Future Rent credits may be forfeited, at the County's option, if Tenant defaults and fails to cure as set forth in Article 17, on any term or condition of this Lease.
8. Only improvements approved and completed after the effective date of ER 4-99, (June 5, 2001) shall be eligible for Rent credits, unless such improvements were already approved for credit by the County prior to the effective date of such Executive Regulation.
9. For purposes of determining annual Rent credit amounts, amortization of Capital Improvements shall be made over the anticipated useful life. In order to determine an appropriate amortization schedule for Capital Improvements, the anticipated useful life of such improvements shall be deemed to be the applicable recovery periods used in computing deductions for depreciation under The Internal Revenue Code.
10. No Rent credits shall be granted for any improvement to the extent that the improvement was paid for by a grant, loan, bond or other financial assistance from Montgomery County, Maryland, or from any other government or instrumentality.

D. As required by ER 4-99, Paragraph 6.9, Partial Reimbursement of Capital Improvements in the Event of Early Termination:

1. In the event the County terminates this Lease pursuant to Article 5 of this Lease, or in the event either party terminates this Lease pursuant to Article 16 of this Lease, the County shall reimburse Tenant one hundred (100%) percent of the remaining unamortized portion of the cost of each Qualified Non-Elective Capital Improvement and fifty (50%) percent of the remaining unamortized portion of the cost of each Qualified Elective Capital Improvement, less any Rent credits for Capital Improvements already granted to Tenant. In the event this Lease is terminated pursuant to Article 18 of this Lease, the County shall reimburse Tenant any applicable awards received by the County for the fair market value of the Qualified Capital Improvements, and such reimbursement shall not preclude Tenant from filing a separate claim against the authority exercising eminent domain pursuant to Article 18 of this Lease.
2. Such reimbursements shall be made within ninety (90) days of such termination date, or, in the event of eminent domain, within thirty (30) days of the County's receipt of such awards, and, if applicable, shall be subject to appropriation of funds by the Montgomery County Council. In the event appropriations of funds is required, and the County is unable to secure the funding necessary to reimburse Tenant, the County shall not terminate the Lease until such time as funding is appropriated; in which event such termination shall be in accordance with Article 5.B.4 of this Lease.
3. In no event shall Tenant be entitled to receive reimbursement from both the County and any other public agency for the same, like item, or work of any nature or description, and in no event shall the County be entitled to receive unjust enrichment from any insurance coverage

or governing authority in connection with the Qualified Capital Improvements performed by Tenant.

4. Capital Improvements performed by Tenant without the prior written approval of the County will not receive reimbursement.
5. As required by ER 4-99, Paragraph 6.4(c), in the event the work performed requires repairs pursuant to Article 9.B.4 above, the costs of such corrective measures are not eligible for reimbursement.
6. The County will not reimburse Tenant for any Qualified Capital Improvements in the event Tenant vacates the Leased Premises before the end of the Term, whether voluntarily or pursuant to legal action for breach of this Lease.
7. Tenant shall not be entitled to reimbursement in the Event of Default by Tenant pursuant to Article 17 below.
8. Tenant will not be entitled to reimbursement for any finance charges, fees, administrative costs, bonds, permit fees, insurance, operating, maintenance or repair expenses, or any other costs not directly attributable to the actual construction and/or installation of Qualified Capital Improvements.
9. Tenant will not be entitled to reimbursement for Elective Capital Improvements, unless the improvements are, at the reasonable discretion of the County, determined to be Qualified Capital Improvements.
10. No reimbursement will be granted for any improvement to the extent that the improvement was paid for by a grant, loan, bond or other

financial assistance from Montgomery County, Maryland or any other government or public agency.

E. Required Capital Improvements: As a condition of granting this Lease to Tenant, commencing with the date of full execution of this Lease, Tenant agrees to act with all commercially reasonable speed to: (i) obtain all permits and to commence construction for the Non-Elective Capital Improvements, in accordance with Exhibit D-2, and (ii) complete such construction for the Non-Elective Capital Improvements no later than the first (1st) year anniversary of the date of full execution of this Lease. The Elective Capital Improvements and the Non-Elective Capital Improvements, in accordance with Exhibit D-2, are hereby designated and approved as Qualified Capital Improvements by the County. Tenant agrees to spend a total of \$236,000.00 for Qualified Non-Elective Capital Improvements for which it will receive no refund. In the event the actual cost of such Qualified Non-Elective Capital Improvements exceeds \$236,000.00, the County shall credit Tenant the actual costs in excess of \$236,000.00 pursuant to Article 9.C above.

10. OPERATING EXPENSES:

A. Maintenance, Repair and Upkeep of the Leased Premises: As required by ER 4-99, Paragraphs 6.3(a) and 6.3(c), the Tenant shall, at the Tenant's sole cost and expense, assume full responsibility for the maintenance, repair, and upkeep of the entire Leased Premises and all improvements thereon, including but not limited to the repair and/or replacement of all Building elements and equipment, fixtures, roof, windows, floors, ceiling tiles, walls, electrical systems, heating and air conditioning systems, plumbing systems, interior and exterior painting, outdoor areas, outdoor fields and playgrounds, shrubbery and landscaping located on the Leased Premises; however, if such maintenance and repair is due to the County's use of the Leased Premises pursuant to Article 6 above, the County shall reimburse the Tenant for all costs and expenses incurred by the Tenant in connection with such maintenance and

repair within thirty (30) days of the Tenant's delivery to the County of written receipt thereof. The County shall have the right to determine in its reasonable discretion, and shall notify Tenant in writing, that such maintenance, repair, upkeep, and replacement is required to protect the Leased Premises from damage and deterioration.

- B. Operating Expenses for Leased Premises: As required by ER 4-99, Paragraph 6.3(b), the Tenant shall be fully responsible at the Tenant's sole cost and expense, for all operating expenses for the Leased Premises, including, but not limited to, utility bills and expenses, janitorial services, trash removal, pest control, snow removal, grounds maintenance, on-site parking facilities, preventive maintenance, day-to-day minor and major maintenance, tree removal, fence repair and/or replacement, and repair or replacement of playground equipment.
- C. Operating Expenses for Adjacent Parcel: Tenant shall be fully responsible, at Tenant's expense, for all operating expenses in connection with the maintenance and repair of the Adjacent Parcel required as a result of Tenant's use thereof.

11. FIXTURES AND EQUIPMENT: All items which are attached to the Building, or are a part of the Building's systems at the time the Leased Premises are delivered to Tenant, shall remain with the Leased Premises and shall be delivered to Tenant along with the Leased Premises. All moveable partitions, trade fixtures, floor coverings or equipment installed within the Leased Premises at Tenant's expense shall remain the property of Tenant and may be removed by Tenant at the expiration or other termination of this Lease. Upon removal of the Tenant's property from the Leased Premises, the Tenant, at its sole expense shall repair any damage to the Leased Premises caused by such removal so that the Leased Premises are in substantially the same condition as at the commencement of the Lease Term, reasonable wear and tear excepted.

12. CONDITION OF PREMISES: As required by ER 4-99, Paragraph 6.3(a), Tenant accepts the Leased Premises in "as is" condition, and Tenant agrees to maintain the Leased Premises,

including all improvements therein, in good condition and state of repair throughout the Term and any extension thereof. Tenant acknowledges that Tenant and its predecessors have been in exclusive, continuous use and possession of the Leased Premises under a prior Lease dated November 19, 1996, a copy of which is attached hereto as Exhibit E. For purposes of maintenance and upkeep, the Leased Premises includes the improvements, including, without limitation the Building, walkways, play areas, parking lots, driveways, outdoor recreation fields and land located on the Leased Premises. Tenant agrees to keep the Leased Premises clean and neat in appearance at all times, and to keep grass trimmed, trees treated and shrubbery pruned as necessary to maintain them in good condition and appearance. Tenant agrees to make repairs and replacements as necessary for the safe use of the Leased Premises, protection of the Leased Premises from damage or deterioration, including changes necessary to comply with state, federal or local laws, including, but not limited to changes, if required, to comply with the Americans With Disabilities Act [42 U.S.C. 12101], et. seq., however, if such maintenance and repair is due to the County's use of the Leased Premises pursuant to Article 6 above, the County shall reimburse the Tenant for all costs and expenses incurred by the Tenant in connection with such maintenance and repair within thirty (30) days of the Tenant's delivery to the County of written receipt thereof.

13. LIABILITY, PROPERTY DAMAGE AND FIRE INSURANCE:

- A. Tenant Insurance: Tenant agrees to obtain and maintain, during the full term of this Lease, and until all of Tenant's obligations which survive termination of this Lease have been completed, a policy or policies of insurance issued by an insurance company or companies licensed to do business in the State of Maryland and acceptable to the County containing the types of insurance coverages and limitations set forth in Exhibit F Insurance Requirements, which is incorporated by reference and made a part of this Lease.
- B. County Insurance: The County shall obtain and maintain, during the Term, an All Risk Property policy covering 100% of the Building on the Leased Premises. The County shall provide insurance covering general liability for the Property. Notwithstanding the above, the County shall have the right to self-insure. The County is a member of the Montgomery County Self-

Insurance Program. The County shall obtain and maintain, during the full term of this Lease, and any extension thereof, a policy of public liability insurance with bodily injury limits of \$200,000 for injury (or death) to one person, \$500,000 per occurrence, and property damage insurance with a limit of \$200,000. These are the maximum limits of liability for which the Montgomery County Self-Insurance Program is responsible, as determined by the Local Government Tort Claims Act Maryland Code Ann., Cts & Jud. Proc. §§ Sec. 5-301, et seq. (2003 Repl. Vol), as amended from time to time (the "LGTCA").

C. Tenant Owned Contents and Non-Structural Improvements: Tenant shall provide evidence of property coverage for their owned contents and any non-structural improvements, to the Leased Premises. Coverage shall be on a replacement cost basis for "all risks of direct physical loss or damage except as specifically excluded."

D. Additional Insured:

1. Tenant's General Liability Policy shall list Montgomery County, Maryland as an additional insured and all insurance policies obtained by Tenant as required by this Lease shall provide that Tenant shall give the County written notice of amendment, cancellation, termination or non-renewal, no later than 45 days prior to amendment, cancellation, termination or non-renewal. The Tenant shall provide on an annual basis, upon written request from the County, evidence that is satisfactory to the County of the insurance coverages required under this Lease.

2. County's All Risk Property Policy shall list Tenant as an additional insured on all insurance policies obtained by the County as required by this Lease and shall provide that County shall give the Tenant written notice of amendment, cancellation, termination or non-renewal, no later than 45 days prior to amendment, cancellation, termination or non-renewal.

E. Certificate of Insurance: Tenant shall, within ten (10) days from the Commencement Date of this Lease, deliver to the County a certificate(s) of insurance evidencing the coverages required under this Lease. The certificates shall be issued to: Montgomery County, Maryland, c/o Department of Public Works and Transportation, Office of Real Estate, 101 Monroe Street, 10th Floor, Rockville, Maryland 20850, with a copy to Montgomery County, Risk Management Department, 101 Monroe Street, 15th Floor, Rockville, Maryland 20850. Tenant is solely responsible for payment of the premiums for all of Tenant's insurance. The limits of Tenant's insurance in no way limits Tenant's liability under this Lease, at law, or in equity.

14. INDEMNIFICATION:

A. By Tenant: Tenant agrees to indemnify and hold harmless and pay for the defense of the County by counsel of the County's choosing from any and all claims of liability, actions, damages and expenses, including, but not limited to, reasonable attorneys fees and litigation costs, arising out of or related to Tenant's use or possession of the Leased Premises, and any Adjacent Parcel, from any breach of this Lease by Tenant, or from any claim, action, damage, liability or expense occasioned wholly or in part by any act or omission of Tenant, its agents, contractors, guests or employees, except such negligent or willful acts or omissions of the County and the County's employees. Tenant further specifically agrees to hold the County harmless and pay for the defense of the County from any claim of liability made in connection with any construction or installation of equipment within the Leased Premises, notwithstanding that any such construction or equipment may or may not be deemed to be a part of the Leased Premises hereinabove described. In case the County shall, without fault on its part, be made a party to any litigation commenced by or against Tenant, then Tenant shall protect and hold harmless

the County at Tenant's sole cost and expense, but only pursuant to its obligations set forth in this Article above.

- B. By County: The County shall indemnify Tenant, hold Tenant harmless and defend Tenant by counsel of Tenant's choosing from any and all claims, losses, costs, damages, liability and expense, including, without limitation, attorneys' fees, arising out of or related to any claim, suit or judgment brought by or in favor of any person or persons for damage, loss or expense due to, but not limited to, bodily injury, including death, or property damage sustained by such person or persons which arises out of, is occasioned by or is in any way attributable to the use or occupancy of the Leased Premises, or any portion of the Adjacent Parcel by the community, CUPF or the County or its agents, employees, contractors, guests, or invitees, or the acts or omission of the community, CUPF or the County or its agents, employees, contractors, guests, or invitees, except for damage or liability arising from the negligent or willful acts or omissions of Tenant, Tenant's employees or guests. In case the Tenant shall, without fault on its part, be made a party to any litigation commenced by or against the County, then County shall protect and hold harmless the Tenant at County's sole cost and expense. Notwithstanding the foregoing, any indemnification given by the County is subject to the notice requirements and damages limitations stated in the LGTCA; Md. Code Ann. Art. 25A, Sec. 1A (2003 Repl. Vol.); and Md. Code Ann., Cts. & Jud. Proc. Sec. 5-509 (2002 Repl. Vol.), (together the "County Indemnification Statutes"), all as amended from time to time.

15. TENANT'S DUTIES AND COVENANTS:

- A. Waste: Tenant shall not strip, overload, damage or deface the Building, nor suffer or permit any waste in or upon the Leased Premises or the Adjacent Parcel.

- B. Hazardous Materials: Tenant shall not keep or store gasoline, other flammable material, any explosive, or hazardous material as defined under State and Federal and County laws and regulations, within the Leased Premises or the Adjacent Parcel which shall increase the rate of fire insurance on the Leased Premises or Adjacent Parcel beyond the ordinary risk established for the type of operations described in Article 3 of this Lease. Any such increase in the insurance rate due to the above, or due to Tenant's special operations within the Leased Premises or Adjacent Parcel, shall be borne by Tenant. Tenant shall not willfully do any act or thing in or about the Leased Premises or Adjacent Parcel which may make void or voidable any insurance on the Leased Premises or Adjacent Parcel, and Tenant agrees to conform to all reasonable rules and regulations established from time to time by the County (as a governmental authority and not as a landlord), the Maryland Insurance Rating Bureau, or any other authority having jurisdiction over such matters.
- C. Use: Tenant shall not permit any trade or occupation to be carried on or use made of the Leased Premises or Adjacent Parcel outside of the scope of this Lease described in Article 3 hereof. Further, Tenant shall not use or allow to be used the Leased Premises or any part thereof for any illegal, unlawful or improper purpose or for any activity which shall constitute a nuisance to adjacent properties or the adjacent neighborhood. Tenant acknowledges that all of its responsibilities relating to the use or misuse of the Leased Premises and Adjacent Parcel and anything therein shall be construed to include use or misuse thereof by Tenant's agents, subtenants, employees, patrons, guests and subtenants.
- D. Signage: Tenant shall not place upon the Leased Premises or Adjacent Parcel any placard, sign, lettering or awning (a "Projection") except such, and in such place and manner, as first approved in writing by the County or CUPF as may be the case. The County's approval shall not be unreasonably withheld.

Any such sign or Projection must be permitted under Chapter 59 of the Montgomery County Code (2004), as amended, (the "Zoning Ordinance") and must be approved by the County agency responsible for administering the Zoning Ordinance, which may withhold its approval for any reason.

- E. Expenses: Tenant shall pay all of its bills and expenses relating to Tenant's use of the Leased Premises and Adjacent Parcel on time and shall not permit any disruption of any service, including, but not limited to, utilities, to any portion of the Leased Premises or Adjacent Parcel.

- F. Authority: Tenant verifies and acknowledges that the person executing this Lease on behalf of the Tenant has the legal authority to bind the Tenant to the duties and obligations set forth herein. Tenant further verifies and acknowledges that such person's signature creates a binding obligation on the part of the Tenant for the term of this Lease. Tenant verifies and acknowledges that it is in good standing and/or qualified to do business in the State of Maryland, as attached as Exhibit J.

- G. Performance: Tenant agrees to and shall perform any and all obligations under this Lease in a timely manner. It is understood, agreed and covenanted by and between the parties that Tenant, at Tenant's expense, shall promptly comply with, observe and perform all of the requirements of all of the statutes, ordinances, rules, orders and regulations now in effect or hereafter promulgated whether required by the Federal Government, State of Maryland, Montgomery County, or any local government with jurisdiction over the Leased Premises and Adjacent Parcel.

- H. Toxic Substances Control Act: Tenant specifically acknowledges its responsibility to comply with the requirements of the Toxic Substances Control Act ("TSCA") 15 U.S.C. 2601 to 2692, and its implementing regulations governing asbestos-containing materials in schools, the Asbestos

Hazard and Emergency Response Act (“AHERA”), 40 C.F.R. Part 763,
Subpart E.

16. DAMAGES TO OR DESTRUCTION OF LEASED PREMISES AND ADJACENT
PARCEL:

- A. Notice: Tenant shall provide the County with notice, as soon as practicable, of accidents on or damages to the structure, equipment, or fixtures of the Leased Premises or Adjacent Parcel or of defects in the roof, plumbing, electric and heating and cooling systems of the Building, or to any defects or damages to the Property.
- B. Right to Restore or Terminate: In the event that the Leased Premises or Adjacent Parcel are substantially destroyed or damaged from whatever cause so as to render all or a substantial portion (which, for purposes of the Lease, shall mean 25% or more of the Leased Premises or Adjacent Parcel) of the Leased Premises or Adjacent Parcel unfit for the purposes for which such areas were leased, and the Leased Premises or Adjacent Parcel can be restored to its pre-existing condition within two-hundred seventy (270) days, the County shall notify Tenant in writing within thirty (30) days of the date of such destruction or damage whether or not it intends to make such repairs and the County shall promptly and with due diligence repair any damage to the Leased Premises or Adjacent Parcel. Notwithstanding the foregoing, if the repair of said destruction or damage to the Leased Premises cannot reasonably be accomplished by the County within available insurance proceeds within two hundred seventy (270) days following the date of such destruction or damage, the County shall notify the Tenant in writing within thirty (30) days after the date of the destruction or damage occurred, and Tenant and the County shall each be entitled to terminate this Lease by written notice to the other within ten (10) days of such written notice.

- C. Standard of Work: In the event that the County is able to undertake the repair of the Leased Premises and determines it is in the County's best interest to do so, and provided neither party elects to terminate this Lease in accordance with Article 16B. above, the County shall complete said repairs in a diligent manner as soon as practical after the date of destruction or damage, with all parties acting diligently, and this Lease shall not be affected, except that during reconstruction Rent shall be reduced by a percentage corresponding to the portion of the Leased Premises to which Tenant is denied normal occupancy and use.
- D. County Right Not to Repair: The County reserves the right to not repair the Leased Premises or Adjacent Parcel, if it decides, in its reasonable discretion, repair of the Leased Premises or Adjacent Parcel is not in the County's best interest. If the County elects not to repair the Leased Premises, the County shall notify the Tenant in writing within thirty (30) days after the date of the destruction or damage occurred, and Tenant shall be entitled to terminate this Lease by written notice to the County within ten (10) days of receipt of such written notice.

17. DEFAULT:

- A. Events of Default. Each of the following shall constitute an event of default (the "Event of Default"):
1. Tenant's failure to pay Rent and the continuance thereof for thirty (30) days after receipt from the County of written notice.
Notwithstanding the foregoing, the County shall not be required to provide Tenant with more than three (3) monthly written notices during any twelve (12) month period.
 2. Failure to substantially perform under any term, covenant or condition of this Lease other than failure to pay rent, and the continuance

thereof for thirty (30) days after written notice from the County specifying said failure, or such greater time as may be reasonably required to correct such failure, with Tenant acting diligently.

3. The commencement of any involuntary action or proceeding for the dissolution or liquidation of Tenant, or for the appointment of a receiver or trustee of Tenant's property, and the failure to discharge any such action within one hundred twenty (120) days.
4. The making of any assignment for the benefit of Tenant's creditors.
5. The abandonment of the Leased Premises by Tenant. Abandonment is defined as the failure of Tenant to operate the Permitted Use for ninety one (91) consecutive days or longer, unless otherwise excused under the terms of this Lease.
6. Failure to comply with the Traffic Management Plan required in Article 42, below.

B. Tenant Penalties. In the event that an Event of Default shall occur hereinabove stated, provided Tenant fails to cure said default within the time period set forth in this Lease, then, and in every such case thenceforth, at the option of the County or the County's assigns pursuant to Article 23 below, the Tenant shall be subject to one of the following penalties, depending upon the nature and severity, in the County's sole judgment, of the Event of Default:

1. Tenant's right of possession shall end, the Lease shall be terminated by the County, and the County may proceed to recover possession under the laws of the State of Maryland.

2. The County may, but shall not be obligated to, without waiving such Event of Default, undertake appropriate action to correct the Event of Default at the reasonable expense of Tenant, in which case Tenant shall pay the County all incurred costs of such performance promptly upon receipt of an invoice.
3. In addition to the other rights of the County, as set forth in this Article 17.B, in the event Tenant's Event of Default is due to a failure to perform under Article 17.A.2 above, and such Event of Default continues for forty-eight (48) hours after written notice from the County that the cure period specified in Article 17.A.2 above has expired, the County shall charge Tenant, as Additional Rent, the greater of (i) Five Hundred Dollars (\$500) per day for each day such Event of Default continues, or (ii) the actual costs to undertake appropriate action to correct the Event of Default pursuant to Article 17.B.2 above.
4. The County's acceptance of Additional Rent, as provided in Article 17.B.3 above, shall not constitute a waiver of the County's right to terminate the Lease in accordance with Article 17.B.1 above or to recover possession in a subsequent month during the Term if the Event of Default continues or an additional Event of Default occurs.

C. County Remedies. Upon occurrence of an Event of Default by the Tenant, the County is entitled to all remedies available at law or in equity, including, but not limited to, the right to terminate the Lease, the right to re-let the Leased Premises (if the Lease has been terminated), with any termination of this Lease to be effectuated by appropriate proceedings brought in any court of competent jurisdiction in Montgomery County, Maryland.

Notwithstanding the termination of this Lease, the Tenant shall remain liable for any and all claims, costs, damages, expenses, fees, liabilities and losses suffered by or incurred on behalf of the County as a result of Tenant's Event

of Default, including all reasonable attorney's fees and any costs the County incurs recovering possession of the Leased Premises.

- D. No Waiver. In the event that proceedings shall at any time be commenced for recovery of possession as aforesaid and a compromise or settlement shall be effected either before or after judgment whereby the Tenant shall be permitted to retain possession of the Leased Premises, then such proceedings do not constitute a waiver of any condition or agreement contained herein or of any subsequent breach of this Lease. No waiver of any breach of any condition contained herein shall be construed to be a waiver of that condition or of any subsequent breach thereof.

18. EMINENT DOMAIN:

- A. County Right: The County is entitled to receive any award from a governmental authority other than Montgomery County, Maryland for the fair market value of the land and improvements upon which the Leased Premises are located.
- B. Tenant Right: Tenant is not precluded from claiming, proving and receiving, in a separate claim filed by Tenant against the authority exercising the power of eminent domain, such sums to which the Tenant may be entitled as compensation, including, without limitation, reimbursement of Qualified Capital Improvements, provided that such a separate claim does not interfere with or reduce the County's award and is pursuant to the terms set forth in Article 9D herein.
- C. Right to Terminate: The County or Tenant may terminate this Lease upon exercise of eminent domain by a condemning authority that renders the Leased Premises unfit for the use and purpose set forth in Article 3 herein.

19. SUBLEASING:

- A. County Consent for Tenant Subleasing: As required by ER 4-99, Paragraph 6.10, Tenant shall not sublease any part of the Leased Premises without the County's express written consent. The County's written consent shall be obtained in the following manner:
1. Tenant shall submit to the County a copy of the proposed sublease, a description of the activities and uses proposed by subtenant, proof of the subtenant's ability to pay Rent, adequately maintain its premises and otherwise comply with all terms and conditions of this Lease, and any other information pertinent to the proposed subtenant's use and occupancy as may be requested by the County.
 2. The County shall provide copies of the above information to the Montgomery County Council, the Montgomery County Planning Board and BOE and shall solicit and consider their comments on the proposed sublease as required by law.
 3. The County shall make a decision on the proposal and shall respond in writing to the Tenant not later than ninety (90) days after receipt of all information required by Article 19.A.1, above, or any additional information that may be requested by the County.
 4. It shall not be unreasonable for the County to deny approval for any sublease if the County determines, in its sole discretion, that such sublease will have a negative impact to the surrounding neighborhood.
- B. Permitted Subleasing by Tenant: As required by ER 4-99, Paragraph 6.11, subleasing by Tenant shall be permitted only under the following terms and conditions:

1. Tenant shall not be permitted to sublease more than fifty percent (50%) of the net useable square footage of the Building.
2. Subleasing of any portion of the Leased Premises by Tenant shall have as its primary goal the recovery of reasonable operating and Rent expenses incurred by Tenant in the operation, maintenance and administration of the Leased Premises. Tenant agrees that any Rent charged to subtenant shall be limited to the subtenant's prorated share of actual operating, maintenance and administrative expenses, as well as, non-reimbursed Capital Improvements, and/or other improvements benefiting the subtenant incurred by Tenant, plus an amount equal to the same square foot rate of Rent paid by Tenant to the County.
3. The County shall not approve any sublease or transfer of any right or interest in any portion of the Leased Premises if such a sublease or transfer results in any profit or financial gain in excess of the permitted costs and expenses as set forth, above. The County shall require satisfactory written evidence of compliance with this Article.
4. In the event the County approves a sublease, Tenant remains responsible for the payment of all monies due to the County and for the performance of all obligations required of the Tenant under this Lease.
5. All subtenant's shall conform to all applicable zoning and land use requirements, to all applicable use and occupancy regulations, laws or statutes, to the use restrictions contained in this Lease, to any restrictions that have been imposed by the Montgomery County Council on the use of the Leased Premises, and to all of the terms and conditions of this Lease.
6. In the event the County determines that Tenant is receiving Rent from subtenant in excess of the costs permitted herein, Tenant shall pay all

of the Rent received over and above the allowable costs to the County, as Additional Rent.

20. RIGHT OF ENTRY:

- A. Repairs and Inspection: As required by ER-99, Paragraph 6.0, the Tenant shall permit the County as landlord, its agents or employees, at reasonable times and upon reasonable notice (not less than 72 hours prior notice) to enter the Leased Premises without charge and without diminution of Rent to: (1) examine, inspect and protect the Leased Premises; (2) to perform maintenance and repairs the County may in its reasonable discretion consider necessary or desirable; (3) to exhibit the Leased Premises to prospective purchasers or tenants; and, (4) enforce the terms of the Lease and take action, including an inspection of the Leased Premises at least annually, to assure that the Tenant complies with its obligations under the Lease. The County retains all of its rights as a government to enter onto the Leased Premises and Adjacent Parcel as permitted by law and for all lawful purposes.
- B. Emergency Access: In cases of an emergency involving imminent risk of injury or death to persons or damage to property, the County, its agents or employees, without prior notice to the Tenant, may enter onto the Leased Premises, however, the County shall notify the Tenant of any such entry under this Article as soon as it is practicable under the circumstance.
- C. Locks: Tenant shall not alter or change exterior locks installed on the Leased Premises, however, in the event of an approved change, Tenant shall provide the County with keys to the new locks installed in the Building.

21. RETURN OF THE LEASED PREMISES:

- A. Tenant's Property: At the conclusion of the Term as set forth in Article 2, or following the termination of this Lease for any other cause, the Tenant shall remove all of Tenant's goods and effects from the Leased Premises and return to the County all keys, locks, and other fixtures belonging to the County, in good repair, reasonable wear and tear and damage by casualty excepted. In the event that Tenant's property is not removed from the Leased Premises after the termination of this Lease, the property remaining shall become the property of the County. The County shall dispose of such property in the manner it deems appropriate.

- B. Condition of Leased Premises: The Tenant shall return the Leased Premises to the County in the same condition as received at the beginning of the Lease Term in "broom clean" condition, reasonable wear and tear and damage by casualty excepted. At the time of termination of this Lease, and at the County's option, the Tenant shall participate in a walk-through with the County's agent or employee to inspect the Leased Premises.

- C. Signs: Following termination of this Lease, the Tenant shall remove any and all signs erected by or on behalf of Tenant and shall pay for or repair any damage caused by the installation or removal of such signage.

22. HOLDOVER:

- A. No Right to Holdover: The Tenant shall have no right to holdover and continue to occupy the Leased Premises upon expiration or termination of this Lease without first obtaining the prior written permission of the County.

- B. Holdover with Consent: If the Tenant holds over after the expiration of this Lease with the County's consent, the tenancy created by such holding over shall be a month-to-month tenancy, but in all other respects shall be governed by the terms of this Lease, provided, however, that (i) in all cases (except an Event of Default by the Tenant) a thirty (30) day notice shall be required to

terminate the tenancy created by such consented hold-over; and (ii) the monthly Rent payable hereunder during any such holdover period shall be 150% of the Rent in effect for the last month of the Term then ending; and provided that (a) if, upon the expiration of this Lease, the County and Tenant are actively engaged in good faith negotiations for a renewal or extension of this Lease, the County agrees (on the condition the remainder of such holdover rent is paid timely) to defer payment in excess of such holdover rent above the Rent in effect immediately prior to the expiration of this Lease until the earlier of the sixtieth (60th) day after the expiration of the Term or the date on which such negotiations cease, and (c) if, on or before the ninetieth (90th) day after the expiration of the Term, County and the Tenant execute and deliver a renewal or extension of this Lease, then County may agree to waive payment of the amount of holdover rent deferred pursuant to this Article.

- C. Holdover without Consent: Notwithstanding the foregoing, if the Tenant holds over the expiration of this Lease without the County's consent, the Tenant shall, in the absence of any agreement to the contrary, be the Tenant at sufferance and shall pay to the County holdover damages equal to the then-current fair market value of the Leased Premises plus Additional Rent in effect immediately prior to the expiration of the Term for the entire period of such tenancy at sufferance.

- D. Indemnification: Tenant shall defend, indemnify, and hold the County harmless from and against any and all claims, losses, liabilities, or damages resulting from the Tenant's failure to surrender possession of the Leased Premises in accordance with this Article (including, but not limited to, any and all claims made by any succeeding tenant).

23. ASSIGNMENT: Tenant shall not assign this Lease without the prior written consent of the County, which consent shall not be unreasonably conditioned, withheld or delayed, nor shall any assignment hereof be effected by operation of law or otherwise without the prior written consent

of the County. Any assignment consented to by the County shall not relieve the Tenant from any of its obligations under this Lease, and such consent by the County shall not be effective unless and until (i) Tenant gives written notice thereof to the County, which notice shall state the name and address of the proposed assignee, and identify the nature and character of the proposed use of the Leased Premises by assignee, (ii) such assignee shall deliver to the County a written agreement in form and substance satisfactory to the County pursuant to which such assignee assumes all of the obligations and liabilities of the Tenant hereunder, and (iii) Tenant shall deliver to the County a copy of the proposed assignment agreement. Tenant shall also provide any additional information the County reasonably requests regarding such proposed assignment. The County shall not approve any assignment if such an assignment results in any profit or financial gain in excess of permitted costs and expenses. Any assignment without the County's written consent may be declared null and void by the County and, at the County's election, constitute an Event of Default hereunder. The County shall not assign this Lease without prior notice to the Tenant.

24. THE COUNTY'S TITLE AND COVENANT OF QUIET ENJOYMENT: The County covenants that it has full right and power to execute and perform this Lease, and that it shall put Tenant into complete and exclusive possession of the Leased Premises and the Adjacent Parcel, as set forth herein. The County covenants and agrees that, if Tenant pays all Rent, and performs all of its obligations under this Lease, the Tenant shall, at all times during the Term, and any extensions thereof, have the peaceable and quiet enjoyment and possession of the Leased Premises and the Adjacent Parcel for the purposes stated in this Lease unless the County terminates this Lease as provided in ER 4-99.

25. CUMULATIVE REMEDIES: Except as otherwise expressly set forth herein, all remedies granted in this Lease otherwise provided by law shall be cumulative and, unless inconsistent, may be exercised separately, concurrently or successively.

26. BENEFIT AND BURDEN: The provisions of this Lease shall be binding upon, and shall inure to the benefit of the Parties and each of their respective successors, assigns or representatives.

27. DISPUTES: The County and Tenant agree that any dispute concerning a question of fact arising under this Lease which is not resolved by agreement of the Parties shall be decided by the Chief Administrative Officer of Montgomery County, or his designee, who shall notify the Parties in writing of the determination made. The Tenant and the County shall be afforded an opportunity to be heard and offer evidence in support of their respective positions. Pending final decision of a dispute hereunder, Tenant and the County shall proceed diligently with the performance of all provisions under this Lease. The decision of the Chief Administrative Officer or his designee shall be final and conclusive. This Article does not preclude consideration of questions of law by a court of competent jurisdiction in connection with the aforesaid decisions.

28. WAIVER: The waiver at any time by either of the Parties of any particular covenant, condition, obligation, or duty under this Lease shall extend to the particular case only, and for the particular time and in the particular manner specified, and such waiver shall not be construed or understood as waiving any further or other rights of either Party.

29. NON-DISCRIMINATION: Tenant agrees to comply with the non-discrimination in employment policies in County contracts as required in Sections 11B-33 and 27-19 of the Montgomery County Code (2004), as amended, as well as all other federal, state and local laws, rules and regulations regarding employment discrimination. By signing this Lease, the Tenant assures the County that in accordance with applicable law, it does not, and agrees that it shall not engage in any employment discrimination in violation of the above sections of the Montgomery County Code as well as any other federal, state or local laws, rules and regulations. The Landlord assures the County that in accordance with applicable law, it does not, and agrees that it will not discriminate in any manner on the basis of race, color, religious creed, sex, martial status, national origin, ancestry, disability, sexual orientation or genetic status.

30. CONTRACT SOLICITATION: Tenant represents that it has not retained anyone to solicit or secure this Lease from the County upon an agreement or understanding for a commission, percentage, brokerage or contingent fee, except for bona fide employees of bona fide established, licensed, commercial selling or leasing agencies (the "Broker") maintained by the Tenant for the purpose of securing business or an attorney rendering professional legal services consistent with the canons of ethics of the profession. Tenant is responsible for paying any Broker's fees or

commissions for any Broker with whom Tenant has any contract or agreement and for paying all of Tenant's attorneys' fees in connection with the negotiation of this Lease.

31. ETHICS REQUIREMENT: Tenant understands and agrees that unless authorized pursuant to Section 11B-52 and Chapter 19A of the Montgomery County Code (2004), as amended, that it is unlawful for any person or entity transacting business with the County to employ a public employee contemporaneous with his or her public employment.

32. FORCE MAJEURE: Neither party shall be deemed in default with respect to the performance of any of the terms, covenants and conditions of this Lease if same shall be due to any strike, lockout, civil commotion, war-like operation, invasion, rebellion, hostilities, military or insurgency, sabotage, inability to obtain any material or service, through natural or other causes beyond the control of either of the Parties; provided, however, that this provision shall not excuse any non-payment of Rent. For purposes of this provision, lack of funds shall not be considered a cause beyond the control of a party.

33. RESIDENT AGENT: The Resident Agent for the Tenant is: The Corporation Trust Incorporated (CT), 300 E. Lombard Street, Baltimore, Maryland 21202.

34. MAILING NOTICES: All notices required by this Lease shall be in writing and shall be given by either party by first class mail, postage prepaid, return receipt requested or with a nationally recognized receipted delivery service, addressed to the County or Tenant, respectively. Notice to the Parties shall be addressed as follows:

THE COUNTY:

MONTGOMERY COUNTY, MARYLAND

Department of Public Works and Transportation
Office of Real Estate
101 Monroe Street, 10th Floor
Rockville, Maryland 20850
Attn: Director
With a copy that does not constitute notice to:

Office of the County Attorney
101 Monroe Street, 3rd Floor

Rockville, Maryland 20850
Attn: County Attorney

THE TENANT:

NOBEL LEARNING COMMUNITIES, INC.

1615 West Chester Pike, Suite 200
West Chester, PA 19382-6223
Attn: General Counsel

With a copy that does not constitute notice to:

Shulman, Rogers, Gandal, Pordy & Ecker, P.A.
11921 Rockville Pike, Suite 300
Rockville, Maryland 20852
Attn: Ross D. Cooper, Esq.

35. INDEMNITY BOND: Upon the request of the County, for reasonable cause in its reasonable discretion, concurrent with the effective date of the Lease or at any time during the term of this Lease, Tenant shall obtain and maintain an executed miscellaneous indemnity bond in the amount of the annual Rent for the current Lease Year to remain in full force and effect throughout the remainder of the Term, as security for the faithful performance of all the terms and conditions of this Lease. The County shall have the right, but not the obligation, to request such a bond from the Tenant. The County, in its reasonable discretion, may accept an appropriate substitute surety. Tenant shall, within fifteen (15) days from the date of the request by the County, deliver to the County the said surety, evidencing the coverage hereinabove stated. Failure to deliver the bond or surety as required is considered by the County to be an Event of Default under this Lease.

36. INDEMNIFICATION BY COUNTY: Notwithstanding anything in this Lease to the contrary, any indemnification given by the County in this Lease is subject to the notice requirements and damages caps stated in the Local Government Tort Claim Act. Md. Cts. & Jud. Proc. Code Ann. §§5-301, et seq., (2003 Repl. Vol.) as amended from time to time. This indemnification is not intended to be a waiver of governmental immunity by the County, and is not intended to create any rights or causes of action in third Parties. The County is not liable for damages or injury occasioned by the acts or omissions of Tenant or its agents, or failure to comply with its obligations under this Lease.

37. GOVERNING LAW: This Lease and its performance is governed, interpreted, construed and regulated by the laws of Montgomery County and the State of Maryland. Should any provision of this Lease be found invalid or unenforceable no other unrelated provision shall be affected and shall continue in full force and effect.

38. CLAIMS: Any claim or action brought by or on behalf of either Party in connection with the performance of this Lease shall be filed and maintained in a court of competent jurisdiction located in Montgomery County, Maryland.

39. RIGHT OF REDEMPTION: To the extent permitted by law, the Tenant hereby waives any and all rights of redemption and rights to cure any default hereunder (howsoever denominated) after the County recovers possession of the Leased Premises now or hereafter granted to the Tenant pursuant to applicable law. No acceptance by the County of any monies owed by the Tenant to the County shall constitute a waiver of the provisions of this Article, nor shall any refusal by the County to accept any tender by the Tenant of any sums owed by the Tenant to the County, in connection with any purported exercise of any right of redemption or right to cure to which the Tenant would otherwise be entitled, constitute a termination of this Lease or a release of the Tenant from any liability hereunder.

40. RULES AND REGULATIONS: Existing Rules and Regulations are incorporated by reference and made a part of this Lease as Exhibit G. The County reserves the right to amend the existing Rules and Regulations from time to time, at the County's reasonable discretion. Tenant shall comply with any and all Rules and Regulations adopted by the County and provided in writing to the Tenant. Tenant's failure to obey the Rules and Regulations constitutes an Event of Default under this Lease for which the County may pursue any or all of the remedies set forth in Article 17.C, County's Remedies. In the event of a conflict between the Rules and Regulations and this Lease, the Lease is controlling.

41. COMMUNITY COORDINATING GROUP: As required by ER 4-99, Paragraph 6.16, the Tenant shall convene a community liaison body that shall effectively respond to concerns of residents of the surrounding neighborhood that result from operation of the school. The Tenant shall meet with members of the surrounding communities on at least a quarterly basis, for the purpose of

establishing a neighborly relationship. The first of such meetings shall be held within ninety (90) days of the effective date of the Lease. At a minimum, the Tenant and the community shall be represented by at least (i) one member from the Maplewood Citizens Association, (ii) one member from the Maplewood Park Homeowners Association, (iii) one resident, appointed by the Maplewood Citizens Association, that lives on each of Forest Place, Forest Road, Edgeley Road, and Montgomery Drive, (iv) one member from the Office of the People's Counsel, (v) one member from the administrative staff of the Tenant's school, and (vi) one parent representative from the Tenant's school. This coordinating group shall monitor traffic impact on the neighborhood and discuss possible solutions to be implemented. Tenant shall keep the community abreast of any activity planned at the school that could substantially impact the community's use of the facility or the quality of life in the neighborhood. Tenant shall respond to community complaints or concerns in an expeditious manner. Tenant shall work cooperatively with the neighborhood and all interested parties on the matter of future traffic improvements pursuant to the Traffic Management Plan attached hereto as Exhibit H-1 or any future revised version of the plan. The coordinating group shall submit to the Office of the Montgomery County Executive and the Montgomery County Council an annual report which shall contain, at a minimum, (i) summary of events that occurred at the coordinating group meetings, and (ii) the action, if any, taken or recommended to complaints or concerns raised by the community in connection with the operation of the school.

42. TRAFFIC MANAGEMENT PLAN:

- A. Compliance: The Tenant shall comply with the Traffic Management Plan (the "Plan") attached hereto as Exhibit H-1.
- B. Initial Review: It is the understanding of the parties that the Plan will be reviewed by a workgroup comprised of the community representatives as set forth in Article 41 above and one member from the Transportation Planning staff of the Montgomery County Planning Board, with facilitation being provided by the Office of the People's Counsel. It is further understood that the Plan, as attached hereto, shall be subject (for a period from the date of full execution of Lease until July 1, 2006) to reasonable modifications by the workgroup, as deemed necessary by the County and as agreed by the Tenant. The Tenant shall work reasonably with the workgroup to identify

accountability measures, up to and including termination of the Lease, as deemed necessary by the County and as agreed by the Tenant. The Plan shall specify the level of failure required to determine a default.

C. Requirements: Any traffic management plan shall accomplish the following:

1. Operating Plan: Establish an operating plan for both routine school activities and special events that clearly identifies on-site access, circulation and parking rules and regulations, and the use of off-site parking areas other than on-street parking to prevent a detrimental impact on surrounding residential areas.
2. Drop-off and Dismissal: Identify means by which vehicular traffic associated with school drop-off and dismissal activities shall be contained on site.
3. Monitoring: Establish regular monitoring activities to facilitate identification and implementation of operational access and circulation improvements.
4. Tenant Representative: Provide the name, phone number, address, fax number, and email address of the Tenant representative responsible for enforcing the Plan. Tenant shall be responsible for keeping the Tenant representative information up-to-date.

D. Continuing Review: The Plan shall be subject to review and modification from time-to-time as deemed necessary by the County and as agreed by the Tenant

{signature page to follow}

IN WITNESS WHEREOF, the Parties have caused this agreement to be properly executed.

WITNESS:

TENANT:

NOBEL LEARNING COMMUNITIES, INC.,
a Delaware corporation qualified to do
business in the State of Maryland

By: Margaret M. Hager

By: [Signature]

Date: February 17, 2006

THE COUNTY:
MONTGOMERY COUNTY, MARYLAND

By: [Signature]
Bruce Romer

Title: Chief Administration Officer
CHIEF ADMINISTRATIVE OFFICER

Date: 3-10-06

APPROVED AS TO FORM & LEGALITY
OFFICE OF THE COUNTY ATTORNEY

RECOMMENDED

By: Gileen O. Brennan

By: [Signature]

CYNTHIA L. BRENNEMAN
DIRECTOR, OFFICE OF REAL ESTATE

Date: 3/1/2006

Date: 2/27/06

Exhibit A - Deed
[Background 1]

EXA

LIBER 4629 FOLIO 464

CLERK'S OFFICE
MONTG. CO., MD.

6A

NO FEE - MONTG. CO. MD.

(Alta Vista)

DEED

1976 AUG 18 PM 2:47

THIS DEED made this 7th day of July, 1976,
by and between the BOARD OF EDUCATION OF MONTGOMERY COUNTY,
MARYLAND, GRANTOR, and MONTGOMERY COUNTY, MARYLAND, GRANTEE,
hereinafter called the "COUNTY".

WITNESSETH:

That in consideration of the sum of Ten Dollars (\$10.00)
and other good and valuable consideration, the receipt of which is
hereby acknowledged, the said GRANTOR does hereby grant, convey in
fee simple, and release unto the COUNTY, a body corporate, its
successors and assigns, all those pieces or parcels of ground and
other rights situate and lying in Montgomery County, Maryland, and
more particularly described as follows:

FEE TAKING

Beginning for the same at the intersection of
the northern boundary of Beech Avenue and the
westerly limit of the Washington Rockville
Electric Railway Company right of way and run-
ning thence with the line of said right of way
North 07°40' East 321.8 feet to the intersec-
tion of the westerly limit of said right of way
and the southern boundary of lot numbered 36,
"ALTA VISTA SUBDIVISION", according to the plat
recorded in Plat Book 2, at folio 107, one of
the Land Records of Montgomery County, Maryland,
and running thence South 87°54' East 25 feet to
the easterly limit of the said right of way and
running thence with the line of said right of
way South 07°40' West 321.8 feet to the intersec-
tion of the easterly limit of the said right of
way and the northern boundary of Beech Avenue and
thence with the line of said Beech Avenue South
63°48' East 25 feet to the point of beginning,
containing 8,045 square feet of land, more or less,
including aforesaid right of way.

The afore described property is conveyed subject
to the right of the Potomac Electric Power Company,
or affiliated companies, to install and maintain
from time to time upon said property, or any part
thereof, ducts, feeder cables, poles, wires, fix-
tures and other appurtenances for the sale and
distribution of electricity. This easement is
granted permanently by instrument recorded in
Liber 562 at folio 215, one of the Land Records
of Montgomery County, Maryland.

BEING all the same land conveyed to the Board of Educa-
tion of Montgomery County, Maryland, by G. Calvert Bowie and Mary
Graff Bowie, his wife, by deed dated October 31, 1950, and recor-
ded in the Land Records for Montgomery County, Maryland, in Liber
1454 at Folio 461.

