

THIRD AMENDMENT TO LEASE

THIS THIRD AMENDMENT TO LEASE ("Third Amendment") is entered into this 1<sup>st</sup> day of July, 2016 by and between Washington Real Estate Investment Trust ("Landlord"), and Montgomery County, Maryland ("County"). (Landlord and County may be collectively referred to under this Third Amendment as the "Parties.")

RECITALS:

WHEREAS, Landlord and County are parties to Lease dated June 6, 2001 ("Lease") whereby County leased from Landlord certain premises known as Suite 802 ("Leased Premises") located on the eighth (8<sup>th</sup>) floor of the building located at 51 Monroe Street, Rockville, Maryland 20850 ("Building"); and

WHEREAS, the Lease was amended on March 31, 2006 ("First Amendment") whereby the Term of the Lease was extended through April 30, 2011; and

WHEREAS, the Lease was later amended on November 22, 2011 ("Second Amendment") whereby the Term of the Lease was extended through June 30, 2016, and the rentable square footage of the Leased Premises was amended from 1,952 to 2,070 rentable square feet; and

WHEREAS, the Lease is currently scheduled to expire on June 30, 2016; and

WHEREAS, County desires to extend the Term of the Lease for five (5) years and zero (0) months and Landlord is willing to extend the Term of the Lease for such period which shall be called the "Third Term Extension"; and

WHEREAS, the Parties acknowledge that the Leased Premises was remeasured by Landlord pursuant to the terms of the Lease, and the Parties desire to amend the Lease to change the rentable square footage of the Leased Premises from 2,070 to 2,097 rentable square feet; and

WHEREAS, Landlord and County desire to amend the Lease upon the terms, conditions, covenants and agreements set forth in this Third Amendment; and

WHEREAS, the Lease, the First Amendment, the Second Amendment, and this Third Amendment shall all hereinafter be collectively referred to as the "Lease."

WITNESSETH:

NOW, THEREFORE, in consideration of Ten Dollars (\$10.00) in hand paid by each party to the other, the mutual promises herein contained, and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, and intending to be legally bound, the Parties agree as follows.

1. Recitals. The recitals contained above are true to the best of the Parties' knowledge and are incorporated by reference herein.
2. Defined Terms. Any term used herein that is defined in the Lease shall have the same meaning as specified in the Lease unless otherwise specifically provided herein.
3. Third Term Extension. The Lease Term shall be and is hereby further extended and renewed for five (5) years and zero (0) months ("Third Term Extension"). The Third Term Extension shall commence on July 1, 2016 and shall expire on June 30, 2021. The Term Extension, the Second Term Extension, this Third Term Extension, and the original term may be collectively referred to under the Lease as the "Term."

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4. Premises. Effective on July 1, 2016, the “Leased Premises,” as such term is used in the Lease, shall be amended to mean the premises described as 2,097 rentable square feet of space at 51 Monroe Street, Suite 802, Rockville, Maryland 20850.

5. Base Rent. Throughout the Third Term Extension, County shall pay in advance rent in accordance with the schedule below (hereinafter, “Base Rent”), payable without deduction, abatement, offset, demand or counterclaim. Base Rent shall be prorated for any partial month, if any, on the basis of the actual number of days in such month. County covenants and agrees to pay, without notice, to Landlord, or its designee, at Washington Real Estate Investment Trust, P.O. Box 79555, Baltimore Maryland, 21279-0555, or to such other address as Landlord may hereafter designate in writing.

Dates	Annual Rent	Monthly Rent
7/1/16 – 6/30/17	\$62,910.00	\$5,242.50
7/1/17 – 6/30/18	\$64,797.30	\$5,399.78
7/1/18 – 6/30/19	\$66,747.51	\$5,562.29
7/1/19 – 6/30/20	\$68,739.66	\$5,728.31
7/1/20 – 6/30/21	\$70,794.72	\$5,899.56

6. Real Estate Taxes. Effective on July 1, 2016, Paragraph 6 of the Second Amendment is hereby deleted in its entirety and the following substituted in lieu thereof:

“Real Estate Taxes. County shall pay to Landlord as additional rent zero and ninety-two hundredths percent (0.92%) (being the stipulated proportion which the rentable area of the Leased Premises bears to the total rentable area of the Building) of the increase in real estate taxes (including special assessments, if any, and any other taxes now or hereafter imposed which are in the nature of or in substitution for real estate taxes) levied on the Building and the land (the “Land”) on which the Building is situated over the “Base Real Estate Taxes.” In the event the rentable area of the Building is increased or decreased, the County’s proportionate share will be recalculated and adjusted. County’s proportionate share of real estate taxes shall be the percentage set forth above, except as follows: If any space in the Building is leased to a tenant who creates an exemption from real estate taxes so as to reduce the Building’s total cost of the same in proportion to that tenant’s rentable area, then the rentable area of such tenant’s space shall be excluded from the rentable area of the Building for the purpose of determining County’s percentage share of real estate taxes. For purposes hereof, the Base Real Estate Taxes are stipulated to be the amount of real estate taxes actually incurred by Landlord with respect to the Building and the Land during calendar year 2016.

(a) In the event that the actual real estate taxes for any calendar year during the Third Term Extension exceed the Base Real Estate Taxes set out above, commencing on July 1, 2017 and thereafter, County shall pay its proportionate share of the increase in the real estate taxes for such year over the Base Real Estate Taxes. Any increase payable by County under this provision shall be deemed additional rent.

(b) Prior to each January 1st during the Third Term Extension, Landlord shall provide County a comparison of the Base Real Estate Taxes and the projected real estate taxes for the coming year. Commencing each January 1st during the Third Term Extension, County shall pay monthly as additional rent, one-twelfth (1/12<sup>th</sup>) of County’s proportionate share of any projected increase in the annual real estate taxes over the Base Real Estate Taxes. Landlord will, within one hundred

twenty (20) days (or as soon thereafter as possible) after the close of each calendar year, provide County a statement of such year's actual real estate taxes, showing the actual increase, if any, in the real estate taxes over the Base Real Estate Taxes. However, Landlord's failure to provide any statement within the time specified shall in no way excuse County from its obligation to pay its proportionate share or constitute a waiver of Landlord's right to bill and collect such proportionate share. Within fifteen (15) days after County's receipt of said statement, County shall pay Landlord County's proportionate share of the excess, if any, of actual real estate taxes over the projected real estate taxes. If the amount paid by County during the previous year exceeded County's share of actual real estate taxes for the year, the excess shall be credited towards any amounts then due Landlord or accruing thereafter and if no amounts are due Landlord or will accrue thereafter, then such excess shall be refunded to County.

(c) Reasonable expenses incurred by Landlord in obtaining or attempting to obtain a reduction of real estate taxes shall be added to and included in the annual statement of real estate taxes. Real estate taxes which are being contested by Landlord shall nevertheless be included for purposes of the computation of the liability of County under this Section; provided, however, that in the event that County shall have paid any amount of additional rent pursuant to the Lease and Landlord shall thereafter receive a refund of any portion of the real estate taxes on which such payment was based, Landlord shall pay to County its proportionate share of such refund less any costs incurred in obtaining same. Landlord shall have no obligation to contest, object to, or litigate the levying or imposition of any real estate taxes and may settle, compromise, consent to, waive, or otherwise determine in its discretion any real estate taxes without consent or approval of County."

7. Operating Expenses. Effective on July 1, 2016, Paragraph 7 of the Second Amendment is hereby deleted in its entirety and the following substituted in lieu thereof:

“Operating Expenses. County shall pay to Landlord as additional rent zero and ninety-two hundredths percent (0.92%) (being the stipulated proportion which the rentable area of the Leased Premises bears to the total rentable office area of the Building) of the increase in Operating Expenses during the Term over Initial Operating Expenses. In the event the total rentable area of the Building is increased or decreased, then County's Operating Expenses percentage shall be recalculated and adjusted. County's proportionate share of Operating Expenses shall be the percentage set forth above, except as follows: If any space in the Building is leased to a tenant who is separately responsible for paying the cost of a service that would otherwise be included in Operating Expenses, the rentable area of such tenant's space shall be excluded from the rentable area of the Building for the purpose of determining County's percentage share of the balance of the cost of such services. Additionally, if any space in the Building is leased to a tenant who creates an exemption from any category of Operating Expenses so as to reduce the Building's total cost of the same in proportion to that tenant's rentable area, then the rentable area of such tenant's space shall be excluded from the rentable area of the Building for the purpose of determining County's percentage share of such category of Operating Expenses.

(a) “Operating Expenses,” as that term is used herein, shall mean all expenses, costs and disbursements (but not replacement of capital

investment items or specific costs billed to and paid by specific tenants) of every kind and nature which Landlord shall pay or become obligated to pay because of or in connection with the ownership, management, maintenance, repair and operation of the Building (for purposes of this Article III, the Building shall include the Land) including, but not limited to, the following (including appropriate reserves):

- (i) Cost of wages and salaries of all employees engaged in the operation and maintenance of the Building, including taxes, insurance and benefits;
  - (ii) Cost of all supplies and materials used in the operation, maintenance and repair of the Building;
  - (iii) Cost of landscaping, gardening, paving, resurfacing, line painting, striping, lighting, snow removal, sanitary control, and maintaining, repairing, replacing or relocating any site utilities;
  - (iv) Cost of all maintenance and service agreements for the Building and the equipment used therein including, but not limited to, HVAC, access control and energy management services, security, window cleaning, elevator, trash and rubbish removal, and janitorial and cleaning service;
  - (v) Cost of insurance relating to the Building, including, but not limited to, the cost of casualty and liability insurance applicable to the Building and Landlord's personal property used in connection therewith;
  - (vi) Cost of repairs and general maintenance (excluding repairs and general maintenance directly paid for by the proceeds of insurance, or by County or third parties);
  - (vii) management fee of three percent (3%) of the gross revenues of the Building;
  - (viii) Cost of any additional service provided by Landlord in the prudent management of the Building including any service not provided at the Lease Commencement date but thereafter provided by Landlord;
  - (ix) Cost of audit and accounting services;
  - (x) Cost of any capital improvements made to the Building after the Lease Commencement Date that, in Landlord's reasonable judgment are intended to reduce other operating expenses or are required under any governmental law or regulation, such cost thereof to be amortized over such reasonable period as Landlord shall determine.
- (b) Operating Expenses shall not include the following:
- (i) costs of capital improvements other than as set forth in clause (a)(x) above;
  - (ii) ground rent and interest on and amortization of mortgages;
  - (iii) Landlord's income, excise or franchise taxes;
  - (iv) salaries of Landlord's employees not engaged in the operation, management, maintenance or repair of the Building;
  - (v) legal fees incurred in connection with the leasing of the Building or in connection with disputes with other tenants relating to the collection of rent and similar matters not benefitting the tenants of the Building generally;
  - (vi) leasing commissions, advertising expenses and other such expenses incurred in leasing or marketing the space within the Building.

(c) Operating Expenses for each calendar year shall be those actually incurred, provided however, that (i) if the Building was not at least ninety percent (90%) occupied during the entire calendar year, the Operating Expenses shall be adjusted to project the Operating Expenses as if the Building were ninety percent (90%) occupied, and (ii) Landlord shall bear the percentage of Operating Expenses allocable to unleased, leasable space within the Building.

(d) For purposes hereof, the Initial Operating Expenses are stipulated to be the amount of Operating Expenses actually incurred by Landlord during calendar year 2016.

(e) In the event that the actual Operating Expenses for any calendar year during the Third Term Extension exceed the Initial Operating Expenses set out above, commencing on July 1, 2017 and thereafter, County shall pay its proportionate share of the increase in Operating Expenses for such year over the Initial Operating Expenses. Any increase payable by County under this provision shall be deemed additional rent.

(f) Prior to each January 1st during the Third Term Extension, Landlord shall provide County a comparison of the Initial Operating Expenses and the projected Operating Expenses for the coming year. Commencing each January 1st during the Third Term Extension, County shall pay monthly as additional rent, one twelfth (1/12<sup>th</sup>) of County's proportionate share of any projected increase in the Operating Expenses over the Initial Operating Expenses. Landlord will, within one hundred twenty (120) days (or as soon thereafter as possible) after the close of each calendar year, provide County a statement of such year's actual Operating Expenses, showing the actual increase, if any, in Operating Expenses over the Initial Operating Expenses. However, Landlord's failure to provide any statement within the time specified shall in no way excuse County from its obligation to pay its proportionate share or constitute a waiver of Landlord's right to bill and collect such proportionate share. Within fifteen (15) days after County's receipt of said statement, County shall pay Landlord, County's proportionate share of the excess, if any, of actual Operating Expenses over the projected Operating Expenses. If the amount paid by County during the previous year exceeded County's share of actual Operating Expenses for the year, the excess shall be credited towards any amounts then due Landlord or accruing thereafter, and if no amounts are due Landlord or will accrue thereafter, then such excess shall be refunded to County."

8. Utility Expenses. Effective on July 1, 2016, Paragraph 8 of the Second Amendment is hereby deleted in its entirety and the following substituted in lieu thereof:

"Utility Expenses. County shall pay to Landlord as additional rent zero and ninety-two hundredths percent (0.92%) (being the stipulated proportion which the rentable area of the Leased Premises bears to the total rentable office area of the Building) of the increase in Utility Expenses during the Term over the Initial Utility Expenses. In the event the gross rentable area of the Building is increased or decreased, then County's Utility Expenses percentage shall be recalculated and adjusted. County's proportionate share of Utility Expenses shall be the percentage set forth above, except as follows: If any space in the Building is leased to a tenant who creates an exemption from any category of Utility Expenses so as to reduce the Building's total cost of the same in proportion to that

tenant's rentable area, then the rentable area of such tenant's space shall be excluded from the rentable area of the Building for the purpose of determining County's percentage share of such category of Utility Expenses.

(a) "Utility Expenses," as that term is used herein, shall mean the cost of all utilities (including surcharges) including, but not limited to, gas, water, sewer, electricity, heating, lighting, air conditioning and ventilating for the Building and the Land, but excluding electricity separately paid for by individual tenants.

(b) Utility Expenses for each calendar year shall be those actually incurred, provided however, that (i) if the Building was not at least ninety percent (90%) occupied during the entire calendar year, the Utility Expenses shall be adjusted to project the Utility Expenses as if the Building were ninety percent (90%) occupied, and (ii) Landlord shall bear the percentage of Utility Expenses allocable to unleased, leasable space within the Building.

(c) For purposes hereof, the Initial Utility Expenses are stipulated to be the amount of Utility Expenses actually incurred by Landlord during calendar year 2016.

(d) In the event that the actual Utility Expenses for any calendar year during the Third Term Extension exceed the Initial Utility Expenses set out above, commencing on July 1, 2017 and thereafter, County shall pay its proportionate share of the increase in Utility Expenses for such year over the Initial Utility Expenses. Any increase payable by County under this provision shall be deemed additional rent.

(e) Prior to each January 1st during the Third Term Extension, Landlord shall provide County a comparison of the Initial Utility Expenses and the projected Utility Expenses for the coming year. Commencing each January 1st during the Third Term Extension, County shall pay monthly as additional rent, one twelfth (1/12<sup>th</sup>) of County's proportionate share of any projected increase in the Utility Expenses over the Initial Utility Expenses. Landlord will, within one hundred twenty (120) days (or as soon thereafter as possible) after the close of each calendar year, provide County a statement of such year's actual Utility Expenses, showing the actual increase, if any, in Utility Expenses over the Initial Utility Expenses. However, Landlord's failure to provide any statement within the time specified shall in no way excuse County from its obligation to pay its proportionate share or constitute a waiver of Landlord's right to bill and collect such proportionate share. Within fifteen (15) days after County's receipt of said statement, County shall pay Landlord County's proportionate share of the excess, if any, of actual Utility Expenses over the projected Utility Expenses. If the amount paid by County during the previous year exceeded County's share of actual Utility Expenses for the year, the excess shall be credited towards any amounts then due Landlord or accruing thereafter, and if no amounts are due Landlord or will accrue thereafter, then such excess shall be refunded to County."

9. Tenant Improvement Allowance. Following the full execution of this Third Amendment, Landlord shall pay County an improvement allowance up to a maximum amount of Five Thousand Two Hundred Forty-Two and 50/100 Dollars (\$5,242.50) (the "Improvement Allowance") to make alterations, additions, or improvements (collectively, "Alterations") to the

Leased Premises in accordance with County's plans and specifications and security requirements, and in accordance with the terms set forth in the Lease, and for additional costs including architectural, engineering and design. Additional costs, if any, shall be borne by County. Such Improvement Allowance must be used and claimed within the first twelve (12) months of the Third Term Extension. Should any portion of the Improvement Allowance not be claimed within the first twelve (12) months of the Third Term Extension, such portion of the Improvement Allowance shall revert back to Landlord and this Paragraph 9 of this Third Amendment shall be of no further force and effect with respect to any such unclaimed portion of the Improvement Allowance.

Landlord shall be entitled to a construction management fee equal to five percent (5%) of the total hard construction costs of the Alterations made pursuant to this Paragraph 9, which construction management fee shall be deducted from the Improvement Allowance.

As a condition for Landlord's payment of the Improvement Allowance to County, County hereby agrees as follows: (i) County will perform, or cause to be performed, all Alterations in a good and workmanlike manner, and in accordance with County's permitted plans (if applicable) which shall be reasonably approved by Landlord; (ii) Landlord shall have the right to reasonably approve County's general contractor; (iii) County's general contractor shall be licensed, bonded and insured to levels reasonably satisfactory to Landlord; (iv) County shall, at its sole expense, obtain all permits, certificates and other governmental approvals for all governmental entities having jurisdiction, which are necessary for the Alterations; (v) County agrees that County's plans will comply with the generic quality standards reasonably established by Landlord for the Building; (vi) Landlord shall have the right to reasonably review, monitor, and approve all plans and materials involved in the Alterations through the entire construction process, including participation in all progress meetings and final review. In each situation where Landlord has the right to review, approve or consent to any activity of County herein, Landlord's review, approval, and consent shall not be unreasonably withheld, conditioned or delayed.

Provided County is not in default under the Lease, Landlord shall pay to County the Improvement Allowance only upon compliance with each and every one of the foregoing provisions, and presentation of paid receipts and full and complete release of lien waivers, in Landlord's standard form available to County prior to the execution of this Third Amendment. Should the total amount of County's paid receipts be less than the Improvement Allowance, such difference shall revert back to Landlord and will not be payable to County. It is expressly agreed that County's obligation to pay Rent (including Base Rent and additional rent) shall not be abated in whole or in part as a result of the construction of the Alterations.

The Leased Premises is hereby accepted by County in its AS-IS condition for the duration of the Third Term Extension, and Landlord is under no obligation to make any structural or other alterations, decorations, additions, improvements, renovations or other changes in or to the Leased Premises.

10. Parking. Effective on July 1, 2016, Article 32 of the Lease is hereby deleted in its entirety and the following substituted in lieu thereof:

"Parking. Landlord shall provide four (4) unreserved, guaranteed parking spaces in the underground garage of the Building for the use of the County and the County's patrons in common with other Building tenants. The total cost for the four (4) parking spaces to the County shall be Four Thousand Eight Hundred and 00/100 Dollars (\$4,800.00) per year, payable in equal monthly installments of Four Hundred and 00/100 Dollars (\$400.00), which shall be deemed as additional rent. The foregoing fee is subject to reasonable increase during the Term. Landlord shall be responsible for the care and maintenance of the parking facility. Landlord shall provide proper lighting, periodic cleaning and repair of the

parking facility as necessary. All payments for parking spaces are to be made in the same manner as Base Rent.”

11. No Options. Should the Lease or any Amendments or Addenda provide County renewal options or rights, termination options or rights, or expansion options or rights, such options or rights shall be of no further force and effect.

12. Broker. The Parties each represent and warrant to one another that neither of them has employed any broker, agent or finder in carrying on the negotiations relating to this Third Amendment.

13. OFAC Certification. County certifies that it is not acting, directly or indirectly, for or on behalf of any person, group, entity, or nation named by any Executive Order or the United States Treasury Department as a terrorist, “Specially Designated National and Blocked Person,” or other banned or blocked person, entity, nation, or transaction pursuant to any law, order, rule, or regulation that is enforced or administered by the Office of Foreign Assets Control; and it is not engaged in this transaction, directly or indirectly on behalf of, or instigating or facilitating this transaction, directly or indirectly on behalf of, any such person, group, entity, or nation. County agrees to defend, indemnify, and hold harmless Landlord from and against any and all claims, damages, losses, risks, liabilities, and expenses (including attorney’s fees and costs) arising from or related to any breach of the foregoing certification.

14. Notices. The Lease is hereby amended to reflect that all notices required hereunder by either party to the other shall be sent by recognized overnight courier with receipt therefor (such as Federal Express) or by certified mail. Notices to Landlord shall hereafter be sent to Washington Real Estate Investment Trust, 1775 Eye Street NW, Suite 1000, Washington, DC 20006, Attention: Asset Manager. Notices to County shall be sent to Montgomery County, Maryland, Office of Real Estate, 101 Monroe Street, 9<sup>th</sup> Floor, Rockville, Maryland 20850, Attention: Director of Real Estate; with a copy that does not constitute a notice to Office of the County Attorney for Montgomery County Maryland, 101 Monroe Street, 3rd Floor, Rockville, Maryland 20850, Attn: County Attorney.

15. Entire Agreement. This Third Amendment (including any and all exhibits, addenda and/or riders attached to this Third Amendment, each of which is hereby made a part of this Third Amendment with full force and effect as is set forth herein) contains the entire agreement of the parties in regard to the Leased Premises and this Third Amendment. Except as amended hereby, all of the terms and provisions of the Lease shall be and remain in full force and effect.

16. Captions. Section headings are used for convenience only and shall not be considered when construing this Lease.

17. Binding Effect. This agreement will not be binding upon any party until this document has been executed by all parties thereto.

[Signature Page Follows]

IN WITNESS WHEREOF, Landlord and County have executed under seal and delivered this Third Amendment under seal on the date first above written.

Witness/Attest:

Jude L. White

COUNTY:

MONTGOMERY COUNTY,  
MARYLAND

By: Ramona Bell-Pearson (Seal)

(Signature Here)  
Name: Ramona Bell-Pearson  
Title: Assistant Chief  
Administrative Officer

Witness/Attest:

LANDLORD:

WASHINGTON REAL ESTATE  
INVESTMENT TRUST

By: [Signature] (Seal)

Name:  
Title:

APPROVED AS TO FORM & LEGALITY  
OFFICE OF THE COUNTY ATTORNEY

[Signature]

RECOMMENDED:

By: Cynthia Brenneman (Seal)

(Signature Here)  
Name: Cynthia Brenneman  
Title: Director, Office of Real Estate  
Department of General Services