

COMMERCIAL LEASE AGREEMENT (DISTRICT OF COLUMBIA)

THIS LEASE made effective as of the ____ day of _____, ____ (the "Effective Date").

BETWEEN:

LESSOR

Name: _____

Address: _____

(the "Lessor")

- and -

LESSEE

Name: _____

Address: _____

(the "Lessee")

IN CONSIDERATION of the mutual promises and at the rental and upon the covenants, conditions and provisions herein set forth, contained and other good and valuable consideration, Lessor leases to Lessee and Lessee leases from Lessor, the following real property:

Leased Premises Address: _____
Legal Description: _____

all as more particularly described in Schedule "A" attached to this Lease, which is incorporated herein by this reference, together with all improvements now or hereafter located thereon and all appurtenances and privileges related thereto, all of which area is hereinafter referred to as the "Premises."

1. Term of Lease

(a) Initial Term. Lessor hereby leases the Leased Premises to Lessee, and Lessee hereby leases the same from Lessor, for an Initial Term beginning on _____, 20____ ("Commencement Date") and ending on _____, 20____ ("Expiry Date"). Lessor shall use its best efforts to give Lessee possession as nearly as possible at the beginning of the Lease term. If Lessor is unable to provide Lessee with possession of the Leased Premises in a timely fashion, rent shall abate for the period of delay. Lessee shall make no other claim against Lessor for any such delay.

(b) Renewal Term. Lessee shall have the option to renew the Lease for an additional Renewal Term of ____ year(s). Lessee shall exercise such renewal option, if at all, by giving written notice to Lessor not less than ninety (90) days prior to the expiration of the Initial Term. The Renewal Term shall be at a rental rate as agreed to between the parties and otherwise upon the same covenants, conditions and provisions as provided in this Lease.

2. Rent Payments

Rent is due in advance on the _____ day of each calendar month, beginning in _____, 20____. Lessee shall prepay the first and last month's rent to Lessor at the time that the parties execute this Lease. All rent payments shall be paid to Lessor at the following address:

Street Address: _____
City: Washington, D.C.

or at such other place as Lessor may from time to time notify Lessee in writing. If the lease term commences on a day other than the first day of a calendar month, the first month's rent shall be adjusted accordingly. If Lessor fails to make a rent payment in full within 10 days after it is due, a late payment penalty of _____% will be applied and will be payable as additional rent.

3. Base Rent

Subject to any cost of living increases (if provided for in this Lease), the Base Rent payable under this Lease for each year of the Initial Term shall be as set out in the table below:

Lease Year	Annual Rent	Monthly Payment
Year 1	\$ _____	\$ _____
Year 2	\$ _____	\$ _____
Year 3	\$ _____	\$ _____
Year 4	\$ _____	\$ _____
Year 5	\$ _____	\$ _____

The Base Rent for any period of the Initial Term which is not a full calendar year shall be prorated by dividing the annual rent due for the period by twelve and multiplying it by the number of months remaining in such period.

4. Security Deposit

- (a) Prior to the Commencement Date and before taking possession of the Leased Premises, Lessee shall pay Lessor a security deposit ("Security Deposit") of \$ _____. The Security Deposit shall be placed in an interest-bearing savings account in the joint names of Lessor and Lessee, and shall be held in escrow by an independent stakeholder as security for the performance by Lessee of Lessee's covenants and obligations under this Lease, it being expressly understood that the Security Deposit shall not be considered an advance payment of rental or a measure of Lessor's damages in case of default by Lessee.
- (b) Lessor may, from time to time, without prejudice to any other remedy, use the Security Deposit to the extent necessary to make good any arrears of rent or to satisfy any other covenant or obligation of Lessee hereunder. Following any such application of the Security Deposit, Lessee shall pay to Lessor on demand the amount so applied in order to restore the Security Deposit to its original amount.
- (c) If Lessee is not in default at the Expiry Date or earlier termination of this Lease or any extension or renewal thereof, the Security Deposit (or remaining balance after deductions for arrears of rent or other amounts owing by Lessee, if any) shall be returned by Lessor to Lessee. The party who is eventually entitled to the fund in whole or in part shall also be entitled to the interest accrued or its pro rata share of the interest accrued.
- (d) If Lessor transfers its interest in the Premises during the term of this Lease, Lessor may assign the Security Deposit to the transferee and thereafter shall have no further liability for the return of such Security Deposit.

(Delete the following section if it is not applicable.)

5. Percentage Rent

Lessee shall pay, as additional rent, a percentage rent ("Percentage Rent") calculated as set out below.

- (a) Within 45 days following the end of each Lease Year (as hereinafter defined), Lessee shall provide Lessor with a written statement certified by Lessee setting out Lessee's total gross sales for the preceding Lease Year, together with a check for a sum equal to five percent (5%) of such gross sales, less the Base Rent for such Lease Year (if previously paid), and copies of the monthly state sales tax returns.
- (b) "Lease Year" shall mean each period of 12 consecutive calendar months during the term of the Lease, commencing on the Commencement Date, provided that if the term shall commence on a day between the 1st of the month and the 14th of the month, the Lease Year shall be deemed to start on the 1st of the then current month. If the term shall commence on a day between the 15th and the end of the month, the Lease Year shall be deemed to start on the 1st day of the following month. Gross sales for the period falling outside of that period shall be adjusted and calculated pro rata on a daily basis.
- (c) The term "gross sales" as used herein shall mean the total amounts received, whether for cash or on credit, for sales and services of every kind made upon the Leased Premises, less the amount Lessee is obligated to pay on account of all retail sales taxes.
- (d) Lessee shall keep complete and accurate books and accounts of its daily gross sales in every part of its business operating at any time during the currency of this Lease in any part of the Leased Premises. Lessor and its agents and employees shall have the right at any time during regular business hours to examine and inspect all the books and accounts of Lessee related to gross sales, including sales tax reports, tax returns, or other reports to any governmental agency, for the purpose of verifying the accuracy of any statement of gross sales provided under sub-clause (a) hereof. Lessor may, at its option and no more than once in any consecutive 12-month period, cause an audit of Lessee's business to be performed by a certified public

accountant of Lessor's choice. If such audit shows that any statement of gross sales previously made by Lessee is more than ten percent (10%) less than the amount of gross sales determined by such audit, the cost of such audit shall be borne by Lessee; otherwise it shall be borne by Lessor.

(Delete the following section if it is not applicable.)

6. Cost of Living Increases

Since the Base Rent is predicated upon the retail cost of living index remaining constant, then, should this Lease be for more than one year, and should the Statistical Abstract of the United States, as published by the United States Government, evidence that on the January next following the first year of this Lease the retail cost of living index has increased, then the amount of each monthly rent payment hereunder shall be increased by the same percentage, beginning with the first rent payment due following the date that Lessor serves written notice on Lessee of such increase, with a copy or citation of the governmental reference reflecting and verifying the increase. Any increase in Base Rent from a cost of living increase shall be retroactive to the date that such cost of living increase first became effective according to the government publication.

7. Use of Premises

The Leased Premises shall be used solely for the purpose of Lessee's business, specifically:

Lessee agrees to use the Leased Premises for reasonable business, commercial, retail, warehousing or industrial uses which do not materially damage the Leased Premises. Lessee's use of the Leased Premises shall be in a lawful, careful, safe, and proper manner, and Lessee shall carefully preserve, protect, control and guard the same from damage, at Lessee's sole expense. Lessee shall not use the parking area or the ingress and egress area of the Premises in an unreasonable manner so as to interfere with the normal flow of traffic or the use of such areas by occupants of properties adjacent to the Leased Premises. Lessee shall not use the Leased Premises for the purposes of storing, manufacturing or selling any explosives, flammables or other inherently dangerous substance, chemical, thing or device. Lessee shall, on the Expiry Date or, if earlier terminated upon such termination, surrender possession of the Leased Premises without further notice to quit, in as good condition as reasonable use will permit. Lessee shall not use the Leased Premises for living quarters or as a residence. Lessee shall not use the Leased Premises for any unlawful, immoral or improper purpose, or in any manner which is contrary to law or to any directions, rules, regulations, regulatory bodies, or officials having jurisdiction thereof or which shall be injurious to any person or property.

8. Absolutely Net Net Net Lease

This Lease shall at all times be construed as a triple net lease, and accordingly all taxes, charges, levies, costs and expenses assessed in respect of the Leased Premises, the subject tenancy, the revenue derived therefrom and the improvements shall be borne by Lessee, including but not limited to: realty taxes; sales taxes; fire, casualty, theft and liability insurance; water, gas, electricity and other utilities; trash removal; repairs and maintenance, and all improvements. SAVE AND EXCEPT ONLY THAT Lessor shall be solely responsible for Lessor's own income taxes and any other charges which may be expressly stipulated herein to be the sole responsibility of Lessor. All operating expenses of Lessee, of whatever nature, are the sole obligation of Lessee.