

## FIRST AMENDMENT TO LEASE AGREEMENT

This First Amendment to Lease Agreement ("Amendment"), is made this 1<sup>ST</sup> day of FEBRUARY, 2006, between MONTGOMERY COUNTY, MARYLAND, a body corporate and politic and a political subdivision of the State of Maryland, (the "Lessor ") and CENTERS FOR THE HANDICAPPED, INC., a Maryland corporation, (the "Lessee"), the County and the Lessee together the parties (the "Parties").

WHEREAS, the Lessor and the Lessee entered into a Lease Agreement (the "Lease") dated May 29, 1992 for the property known as the former MacDonald Knolls Elementary School located at 10611 Tenbrook Drive, Silver Spring, Maryland; and

WHEREAS, the County has restructured policies that govern the closed school reuse process and procedures, as set forth in Executive Regulation 4-99AM, Code of Montgomery County Regulations (COMCOR) Section 11B.45.02 ("ER-49"); and

WHEREAS, the Parties desire to amend the Lease for the purpose of updating the standards for Capital Improvements and to provide the Lessor's current notice address; and

NOW THEREFORE, in consideration of the premises and intending to be legally bound hereby, the Parties hereto agree to the following changes and modifications to the Lease.

1. Article 10 of the Lease is hereby deleted in its entirety and the following language is substituted:

### CAPITAL IMPROVEMENTS:

#### A. Capital Improvement Definitions:

1. Elective Capital Improvements are improvements or additions made by Lessee which:
  - a. Increase the value of the Leased Premises to the Lessor;
  - 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 Lessee which:
  - a. Increase the value of a closed school to the Lessor;
  - 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 Lessor and that are specifically identified in the Lessor'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. Lessee shall obtain the prior written consent of the Lessor for all Capital Improvements. Lessee shall submit to the Lessor complete plans, drawings, and specifications, if available, at least 45 days prior to beginning work. Lessee's submittal to the Lessor shall be of sufficient detail and content to permit the Lessor to fully evaluate Lessee's proposed project. In the event the proposed Capital Improvements are Elective Capital Improvements, two copies of the submission shall be sent by Lessee to the Lessor. The Lessor shall coordinate review with the BOE of any proposed improvement that may affect the future educational use of the Leased Premises. The Lessor shall respond in writing to Lessee's submission within 45 days of the receipt of all required documentation. The Lessor reserves the right to deny approval of any and all Capital Improvements proposed by Lessee.
2. In the event of an emergency need for a capital improvement, Lessee shall notify the Lessor immediately, and the Lessor shall respond within a reasonable and appropriate period of time, as dictated by the emergency situation.
3. The Lessor has the right to inspect all work and materials before, during and after construction.

4. Within thirty (30) days after receipt by the Lessor of Lessee's notice of completion of the Qualified Improvements, representatives of the Lessor and Lessee 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 Lessor. After such inspection, the Lessor and Lessee 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, Lessee shall repair such deficiencies at Lessee's expense, and the Lessor and Lessee shall meet again, within thirty (30) days after receipt by the Lessor of Lessee's notice of completion of such repairs, to inspect such repairs and complete the Capital Improvements Completion Report. In the event Lessee shall fail to make such repairs, the Lessor shall have the right to make such repairs and charge Lessee as Additional Rent the Lessor'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 Lessee and shall be subject to a Rent credit and/or reimbursement from the Lessor as set forth below. In the event Lessee 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. Lessee 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. Lessee 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 Lessor may credit the Lessee'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 Lessee's annual Rent as set forth in this Lease.
2. Lessee 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 Lessee.
3. Capital Improvements completed by Lessee without the prior written approval of the Lessor shall not receive Rent credit.
4. The Lessor has the right to audit all construction or other costs for which Lessee 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 Lessor, to be of value to the Lessor and/or the BOE.
7. Future Rent credits may be forfeited, at the Lessor's option, if Lessee 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 Lessor 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 Lessor terminates this Lease pursuant to Article 5 of this Lease, the Lessor shall reimburse Lessee one hundred (100%) percent of the remaining portion of the cost of each Qualified Non-Elective Capital Improvement and fifty (50%) percent of the remaining portion of the cost of each Qualified Elective Capital Improvement, less any Rent credits for Capital Improvements already granted to Lessee.
2. Such reimbursements shall be made within ninety (90) days of such termination date and shall be subject to appropriation of funds by the Montgomery County Council. In the event the Lessor is unable to secure the funding necessary to reimburse Lessee, the Lessor 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 Lessee be entitled to receive reimbursement from both the Lessor and any other public agency for the same, like item, or work of any nature or description.
4. Capital Improvements performed by Lessee without the prior written approval of the Lessor 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 Lessor will not reimburse Lessee for any Qualified Capital Improvements in the event Lessee vacates the Leased Premises before the end of the Term, whether voluntarily or pursuant to legal action for breach of this Lease.
7. Lessee shall not be entitled to reimbursement in the Event of Default by Lessee pursuant to Article 17 below.
8. Lessee 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. Lessee will not be entitled to reimbursement for Elective Capital Improvements, unless the improvements are, at the reasonable discretion of the Lessor, 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.
2. The Lessor's notice address under Article 37 will be deleted and amended as follows:

THE LESSOR:  
Montgomery County, Maryland  
Office of Real Estate  
101 Monroe Street  
10<sup>th</sup> Floor  
Rockville, Maryland 20850

With a copy not to constitute notice to:

Montgomery County, Maryland  
Office of the County Attorney  
101 Monroe Street, 3<sup>rd</sup> Floor  
Rockville, Maryland 20850

3. Except as modified herein, all other terms and conditions of the Lease remain in full force and effect.

SIGNATURE PAGE FOLLOWS

IN WITNESS WHEREOF, the Parties hereto have caused this First Amendment to Lease Agreement to be properly executed.

WITNESS:

LESSOR:

MONTGOMERY COUNTY, MARYLAND

By: Rebecca Demaruk

By: Joseph F. Beach

Joseph F. Beach, Assistant Chief Administrative

Officer

WITNESS:

LESSEE:

CENTERS FOR THE HANDICAPPED, INC.

By: Kay Robinson

By: Alan C. Lovell

Alan C. Lovell, Chief Executive Officer

Date: January 25, 2006

APPROVED AS TO FORM & LEGALITY  
OFFICE OF THE COUNTY ATTORNEY

RECOMMENDED:

By: Sileen J. Brennan

By: Cynthia L. Brennan

Cynthia L. Brennan, Director

Office of Real Estate

Date: 1/18/2006

Date: 1/9/06