

LEASE AGREEMENT
BETWEEN
B. F. SAUL REAL ESTATE INVESTMENT TRUST
AND
MONTGOMERY COUNTY, MARYLAND

DATED:

May 20, 1992

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LEASE AGREEMENT

This lease is made this 7th day of May, 1992, (the "Lease Date"), by and between B. F. SAUL REAL ESTATE INVESTMENT TRUST (hereinafter "Landlord") and MONTGOMERY COUNTY, MARYLAND (hereinafter "Tenant").

WITNESSETH:

1. DEMISED PREMISES: For and in consideration of the rent hereinafter reserved, payable in lawful money of the United States which shall then be legal tender of all debts, public and private, and the mutual covenants hereinafter contained, Landlord does hereby lease and demise unto Tenant, and Tenant does hereby hire, lease and accept from Landlord, approximately 4,055.25 square feet of space (the "Demised Premises") in a building in the White Oak Shopping Center (the "Shopping Center"), located at 11267 New Hampshire Avenue, Silver Spring, Maryland 20904 all upon the terms and conditions hereinafter set forth. The Demised Premises is cross-hatched on the site plan attached hereto as Exhibit "A" and by this reference made a part hereof. Said Exhibit "A" sets forth the general layout of the Shopping Center and location of the building in which the Demised Premises is situated. Landlord reserves the right to change, increase or reduce the number, composition, dimensions or locations of any parking areas, pylon signs, service areas, walkways, roadways, buildings (including permanent and temporary kiosks) or other common areas in its sole discretion and may make alterations or additions to existing buildings or construct additional buildings within the Shopping Center from time to time provided such change does not unreasonably interfere with Tenant's use of the Demised Premises.

2. TERM:

(a) This lease shall commence on April 1, 1992 and shall terminate on February 28, 1997.

(b) The term "lease year" as used herein shall mean a period of twelve (12) consecutive full calendar months except the final lease year which shall be 11 consecutive months. The first lease year shall begin on April 1, 1992 and each succeeding lease year shall commence upon the anniversary date of the beginning of the first lease year.

(c) Provided Tenant is not in default under this Lease and Tenant gives written notice to Landlord at least nine (9) months prior to the expiration of this Lease, Tenant shall have the option to renew this lease for one (1) additional four (4) year and eleven (11) month period under the same terms and conditions as provided in this Lease, except for

the rent which shall be \$79,077.36 for the first year of the renewal term. The annual rent for the remaining years of the renewal term shall increase by fifty cents (50¢) per square foot for each succeeding lease year.

3. RENT:

(a) The Tenant shall pay "Fixed Minimum Rent" to the Landlord in the annual and monthly amounts hereinafter set forth:

<u>LEASE YEAR</u>	<u>TOTAL AMOUNT</u>	<u>MONTHLY AMOUNT</u>
1	\$68,939.25	\$5,744.94
2	\$70,966.88	\$5,913.91
3	\$72,994.50	\$6,082.88
4	\$75,022.13	\$6,251.84
5 (4 yrs, 11 mos)	\$70,628.91	\$6,420.81

(b) All rent payments shall be made by the Tenant in advance, on or before the first day of each month, without set-off, deduction or demand therefor from the Landlord to and at the offices of the Landlord as hereinafter designated. If payment has not been made prior to the tenth of the month, a late fee of 5.0% of the payment amount will be due as additional rent, per month, until payment is made.

(c) The rent commencement date shall coincide with the lease commencement date as set forth in Paragraph 2 herein.

4. ANNUAL OPERATING COSTS: Tenant agrees to pay to Landlord on the first day of each month, in advance, during the term hereof, as additional rent, without notice or demand therefor and without any deduction whatsoever, an annual operating cost charge equal to one-twelfth (1/12th) of its Proportionate Share (as hereinafter defined) of the Annual Operating Cost (as hereinafter defined) of the Shopping Center. Tenant shall pay an estimated minimum annual charge of \$10,364.00 per year, in equal monthly installments of \$864.00 each. Within one hundred eighty (180) days (or such additional time thereafter as is reasonable under the circumstances), following September 30th of each year, Landlord shall deliver to Tenant a statement of Landlord's Annual Operating Costs for such twelve (12) month period and the monthly installments paid or payable shall be adjusted between Landlord and Tenant, and Tenant shall pay Landlord or Landlord shall credit Tenant's account (or, if such adjustment is at the end of the term, Landlord shall pay Tenant), as the case may be, within thirty (30) days of receipt of such statement, the amount of any excess or deficiency in Tenant's proportionate share of Landlord's Annual Operating Costs paid by Tenant

to Landlord during such twelve (12) month period. Failure of Landlord to provide the statement called for hereunder within the time prescribed shall not relieve Tenant of its obligations hereunder, however no adjustment shall be made until such statement is provided. The obligation to pay the annual adjustment of the Annual Operating Cost in accordance with this paragraph 4 shall survive the expiration or other termination of this Lease.

(a) Tenant's Proportionate Share may be adjusted each year to more closely estimate the anticipated Annual Operating Costs and shall be calculated by dividing the total number of square feet of gross leaseable space contained in the Demised Premises by the total gross leaseable retail area contained within all buildings in the Shopping Center from time to time, exclusive of any free-standing buildings the tenants of which are required by the terms of their leases to maintain common areas adjacent to their facilities.

(b) Annual Operating Cost means the total cost and expense incurred by Landlord in maintaining public liability, fire insurance with extended coverage, workers' compensation insurance, property damage or other insurance on the Shopping Center with such policies and companies and in such limits as selected by Landlord and in managing, operating, repairing, replacing and maintaining the Shopping Center, roof and the Common Facilities (as hereinafter defined), and specifically including, without limitation, the costs of gardening and landscaping; repairs; line painting; utilities; sanitary controls; removal of snow, trash, rubbish, garbage and other refuse; depreciation on equipment and machinery used in such maintenance; the cost of personnel to implement such services; servicing and maintaining the fire sprinkler system; legal and accounting fees; cleaning, maintaining, repairing and replacing the Common Facilities; and in providing security protection and an administrative fee equal to fifteen percent (15%) of Annual Operating Costs.

(c) Common Facilities means all areas provided by Landlord, from time to time, for the common or joint use and benefit of the occupants of the Shopping Center and their employees, agents, servants, customers and other invitees, including, without limitation, management offices, community rooms, parking areas, parking decks, access roads, driveways, retaining walls, landscaped areas, truck serviceways, sidewalks and parcel pickup stations.

(d) Landlord hereby reserves the exclusive right at any time and from time to time to install, use, repair, inspect and replace pipes, ducts, conduits and wires leading through or located adjacent to the Demised Premises and serving other parts of the Shopping Center in locations which do not materially interfere with Tenant's use thereof. Landlord's right hereunder may be exercised by Landlord's designees.

(e) Landlord hereby reserves the right at any time to make alterations or additions to, and to build additional stories on, and to build additional stores and buildings adjoining to, the Demised Premises, and Tenant shall have no interest of any kind whatsoever in the said additions or additional stores or adjoining buildings. Landlord also reserves the right to enlarge the area of the Shopping Center by adding additional ground thereto from time to time and, whether or not so enlarged, to construct other buildings or improvements in the Shopping Center at any time and from time to time and to make alterations thereto or additions thereto and to building additional stores on such building or buildings and to build adjoining the same and to construct double-deck elevated or subterranean parking facilities.

(f) If any excavation shall be made or authorized to be made upon land adjacent to the leased premises, Tenant shall afford to the person causing or authorized to cause such excavation license to enter upon the leased premises for the purpose of doing such work as Landlord shall deem necessary to preserve the building located upon the leased premises from injury or damage and to support the same by proper foundations, provided such entry does not unreasonably interfere with Tenant's use of the Demised Premises.

5. REAL ESTATE TAXES: Tenant agrees to pay to Landlord annually during the term hereof, as additional rent, without notice or demand therefor and without any deduction whatsoever, its pro-rata share (as defined below) of Real Estate Taxes (as hereinafter defined), for each Tax Year (as hereinafter defined).

(a) Within one hundred twenty (120) days after Landlord's receipt of tax bills for each Tax Year, or such reasonable time thereafter, Landlord will notify Tenant of the amount of Real Estate Taxes for the Tax Year in question and the amount of Tenant's pro-rata share (as hereinafter defined) thereof which shall be due and payable to Landlord within thirty (30) days after receipt of statement. The failure of Landlord to provide such certification within the time prescribed above shall not relieve Tenant of any of its obligations hereunder except that payment hereunder

shall not be due until receipt of such statement. The obligation to pay the pro-rata share of Real Estate Taxes shall survive the expiration or other termination of this Lease.

(b) For purposes of this paragraph 5, Tenant's pro-rata share of Real Estate Taxes shall be determined by dividing (i) the total gross leaseable area ("GLA") contained within the Demised Premises by (ii) the total GLA contained within all buildings comprising the Shopping Center, times the percentage of months in said Tax Year tenant occupies the demised premises, less the GLA encumbered by leases, from time to time, which permit a tenant to pay its own real Real Estate Taxes.

(c) The term "Real Estate Taxes" means all taxes, rates and assessments, general and special, levied or imposed with respect to the land, buildings and improvements of which the Demised Premises are a part, including all taxes, rates and assessments, general and special, levied or imposed for schools, public betterment, general or local improvements and operations, and taxes imposed in connection with any special taxing district. If the system of real estate taxation shall be altered or varied or any new tax or levy shall be levied or imposed on said land, buildings and improvements, and/or Landlord in substitution for real estate taxes presently levied or imposed on immovables in the jurisdiction where the Shopping Center is located, then any such new tax or levy shall be included within the term "Real Estate Taxes". Taxes levied against a specific use shall be taxable only to the Tenant for which such taxes are assessed. The term "Real Estate Taxes" shall not include taxes, rates or assessments levied against portions of the Shopping Center that are encumbered by leases, from time to time, the terms of which require the tenant to pay the full amount of said charges levied or assessed against the premises leased thereunder. Real Estate Taxes which are being contested by Landlord shall nevertheless be included for purposes of the computation of the liability of Tenant under this paragraph; provided, however, that in the event that Tenant shall have paid any amount of increased rent pursuant to this paragraph 5 and Landlord shall thereafter receive a refund of any portion of any Real Estate Taxes on which such payment shall have been based, Landlord shall pay to Tenant the appropriate portion of such refund. 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 to abandon any contest with respect to the amount of any Real Estate Taxes without consent or approval of Tenant.

(d) The term "Tax Year" means each twelve (12) month period established as the real estate tax year by the taxing authorities having lawful jurisdiction over the Shopping Center.

6. ADDITIONAL RENT: Any amount required to be paid by Tenant hereunder and any charges or expenses incurred by Landlord on behalf of Tenant under the terms of this Lease shall be considered additional rent payable in full at the same time and upon the same terms and conditions as the next succeeding installment of rent reserved hereunder. Any failure on the part of Tenant to pay such additional rent when and as the same shall become due shall entitle Landlord to the remedies available to it for non-payment of rent.

7. UTILITIES: Tenant shall be responsible for and shall promptly pay all water rent, gas electricity and other utility bills (including sewer charges, tap-ins, hookup and connection charges) used or consumed in the Demised Premises as the same shall become due, it being understood and agreed that Tenant shall promptly make all required deposits for meters and utility services connected with Tenant's use of the Demised Premises. Charges for the foregoing shall commence on the date Landlord delivers possession of the Demised Premises to Tenant. In no event shall Landlord be liable to Tenant or any agent, servant, licensee or assignee of Tenant for damages or otherwise for curtailment or suspension of any utility services, in the event of default by Tenant under this Lease or due to repairs, action of public authority, strikes, acts of God or any other cause, whether similar or dissimilar to the aforesaid.

8. USE OF DEMISED PREMISES: The Demised Premises shall be used and occupied by Tenant solely for the purpose of the retail sale of alcoholic beverages and products related to consumption of alcoholic beverage products and for no other purpose whatsoever and Tenant further agrees to conduct its business in the Demised Premises under the name or trade name of White Oak Liquor & Wine, MCDLC. The Demised Premises shall not be used for any illegal purpose or in violation of any valid regulation of any governmental body, or in any manner to (i) create any nuisance or trespass; (ii) annoy or embarrass Landlord or any other tenant of the Shopping Center; (iii) vitiate any insurance carried by Landlord; (iv) alter the classifications or increase the rate of any insurance on the Demised Premises; (v) allow any noise or odors to emanate from the Demised Premises; or (vi) violate the Certificate of Occupancy issued for the Demised Premises.

9. CONDUCT OF TENANT'S BUSINESS: Tenant shall be open for business in the Demised Premises on the Rent Commencement Date, and shall thereafter continuously, actively and diligently operate its said business on the whole of the Demised Premises, in a high quality and reputable manner, for at least 50 hours per week. Tenant shall maintain a full staff of employees and a full and complete stock of merchandise at all times, shall use a cash register or other similar device for transacting sales, and shall maintain displays of merchandise in the display windows, if any, and keep such display windows and Tenant's store signs well lighted from at least dusk to 9:00 p.m. each day so as to maximize the Gross Sales produced by Tenant's business. Tenant shall warehouse, store or stock only such goods, wares and merchandise as Tenant intends to offer for sale at retail, in or from the Demised Premises, and as permitted under this Lease. Tenant will not place or maintain any merchandise, refuse or other articles in any vestibule or entry of the Demised Premises, on the footwalks or corridors adjacent thereto or elsewhere on the exterior of the Demised Premises so as to obstruct any driveway, corridor, footwalk, parking area, mall or any other common area. Tenant will not conduct or permit to be conducted any auction, fictitious fire sale, going out of business sale, bankruptcy sale or other similar type sale in or connected with the Demised Premises.

10. ASSIGNMENT; SUBLETTING:

(a) Tenant will not assign, transfer, mortgage or encumber this Lease or sublet or rent (or permit occupancy or use of) the Demised Premises or any part thereof without obtaining the prior written consent of Landlord, to be given or withheld by Landlord in its sole discretion; nor shall any assignment or transfer of this Lease be effectuated by operation of law or by transfer of any interest in Tenant or otherwise without the prior written consent of Landlord. The consent by Landlord to any assignment or subletting shall not be construed as a waiver or release of Tenant from the terms of, or Tenant's liability under, any covenant or obligation under this Lease, nor shall any such assignment or subletting be construed to relieve Tenant from obtaining the consent in writing of Landlord to any further assignment or subletting.

(b) The acceptance by Landlord of the payment of rent following any assignment or other transfer prohibited by this paragraph 10, shall not be deemed to be a consent by Landlord to any such assignment or other transfer nor shall the same be deemed to be a waiver of any rights or remedy of Landlord hereunder.

11. REPAIRS BY LANDLORD: Landlord agrees to make all necessary repairs during the term of this Lease or any extension thereof, to the roof of the Demised Premises and all necessary structural repairs to the exterior walls and foundations, (exclusive of doors, door frames, door checks, other entrances, windows and window frames) provided such repairs are not made necessary through misuse of the same by the Tenant or the negligence of Tenant, its agents, servants, contractors or employees, and provided that Tenant shall give Landlord written notice of the necessity for such repairs. Except for the negligence of landlord, its agents and employees, Landlord shall not be liable to Tenant for any damage caused to the person or property of Tenant, its agents, employees or invitees, due to the Demised Premises or any part or appurtenances thereof being improperly constructed or being or becoming out of repair, or arising from the leaking of gas, water, sewer or steam pipes, or from electricity, or from any other cause whatsoever. Tenant agrees to report immediately in writing to Landlord any defective condition in or about the Demised Premises known to Tenant which Landlord is required to repair.

12. MAINTENANCE AND REPAIRS BY TENANT: Tenant covenants and agrees:

(a) That it shall maintain the interior of the Demised Premises (including necessary and periodic repainting) together with all electrical, plumbing and sewage facilities (including free flow up to the main sewer line and grease traps, if any), heating, air conditioning and other mechanical installations therein, exterior and interior of all doors, door frames, door checks, other entrances, windows and window frames in good condition and surrender same at the expiration of this term, in good order and repair, damage by reasonable wear and tear and act of of God excepted. Landlord shall be under no liability for repair, maintenance, alteration or any other action with reference to the Demised Premises or any part thereof, or repair maintenance, alteration, replacement of any other action with respect to any exterior doors, plumbing, heating, electrical, air conditioning, or other mechanical installation therein unless such maintenance is necessary due to the negligence of Landlord or its servants or employees. Tenant shall promptly repair at its own expense any damage (whether structural or otherwise) to the Demised Premises caused by any construction or alterations performed by Tenant or bringing into the premises any property for Tenant's use, or by the installation or removal of such property, unless caused by the negligence of Landlord or its servants or employees.

(b) That it shall be responsible for the removal and disposition of Tenant's refuse and rubbish from the Demised Premises and the Shopping Center. In order to facilitate the systematic and orderly removal of such refuse and rubbish, and in order to coordinate the hours during which such service is performed for the various tenants and the use of the loading areas, Landlord shall have the right, from time to time, to select one or more independent contractors for the removal of refuse and rubbish. Upon request by Landlord, Tenant agrees to employ the contractor designated for the area in which the Demised Premises is located for the removal of refuse and rubbish. Landlord agrees that the rate to be charged for such service shall be computed upon sound business practices and consistent with industry practice. The removal and disposition of Tenant's refuse and rubbish as aforementioned shall be subject to constant supervision and approval by Landlord. If at any time Landlord in its sole discretion, determines that removal and disposition is less than satisfactory after notice to Tenant giving reasonable opportunity to correct any deficiency, Landlord or its agent or an independent contractor selected by Landlord may contract to have removal and disposition completed to its satisfaction. Any changes under such circumstances shall be Tenant's responsibility due within thirty (30) days as additional rent. Tenant shall not permit the unsightly accumulation or placing of rubbish, trash, garbage, debris, cans or other articles of any kind or description whatsoever in the Demised Premises, or in the area immediately surrounding the Demised Premises, or in any other part of the Shopping Center. Tenant shall store all rubbish, trash, garbage, debris, cans or other such items, in fireproof containers approved by Landlord during such time that elapses between removals from Demised Premises.

13. PERSONAL PROPERTY TAXES: Tenant shall be responsible for and shall pay before delinquency all municipal, County, or State taxes assessed during the term of this Lease against any leasehold interest or personal property of any kind, owned by or placed in, upon or about the Demised Premises by the Tenant.

14. ALTERATIONS: Tenant shall make no alterations or changes, structural or otherwise, to any part of the Demised Premises, either exterior or interior, without Landlord's written consent, which consent shall not be unreasonably withheld, except as otherwise provided herein. In the event of any such approved changes, Tenant shall have all work done at its own expense. Request for such consent shall be accompanied by plans stating in detail precisely what is to be done. Tenant shall comply with all building codes, regulations and laws now or hereafter to

be made or enforced in the municipality, county and/or state in which said Demised Premises are located and which pertain to such work. Tenant shall keep the Demised Premises and all other parts of the Shopping Center free from any and all liens arising out of or in connection with any work performed, materials furnished or obligations incurred by or on behalf of Tenant, and agrees to bond against or discharge any mechanics', materialman's or other such liens within thirty (30) days after written request therefore by Landlord. Release of any such lien shall not be deemed an admission of liability. Tenant shall save Landlord harmless from and against all expenses, liens, claims or damages to either property or person which may or might arise by reason of the making of any such additions, improvements, alternations and/or installations.

15. TENANT'S IMPROVEMENTS: Tenant will not cut or drill into any part of the Demised Premises without first obtaining Landlord's written consent.

16. PROPERTY AT TENANT'S RISK:

(a) It is understood and agreed that all personal property in the Demised Premises, of whatever nature, whether owned by Tenant or any other person, shall be and remain at Tenant's sole risk and Landlord shall not assume any liability or be liable for any damage to or loss of such personal property, unless arising from the negligence of Landlord, its servants or employees.

(b) All trade fixtures hereafter installed by Tenant in the Demised Premises shall be subject to the provisions of Section 14 herein, however, shall remain the property of Tenant and shall be removable by Tenant at the expiration or earlier termination of the term of this Lease provided that in the event of the removal of any or all of such trade fixtures Tenant shall promptly restore the damage done to the premises by the installation and/or removal thereof. Should Tenant fail to so remove Tenant's trade fixtures and/or to so restore the premises, Landlord may do so, collecting, at Landlord's option, the cost and expense thereof, as additional rent, upon demand. Or, at Landlord's option, any such trade fixtures which are not removed by Tenant at or prior to any termination of this Lease including, but not limited to, a termination by Landlord pursuant to this Lease, shall be and become the property of Landlord (without any obligation by Landlord to pay compensation for such trade fixtures). Notwithstanding anything herein contained to the contrary or any decision of any court to the contrary, the term "trade fixtures" shall not include any air-conditioning, heating lighting, electrical, and plumbing equipment installed by Tenant in the Demised Premises.

17. INSURANCE AND INDEMNIFICATION:

(a) Tenant agrees to indemnify and save Landlord harmless from any and all liabilities, damages, causes of action, suits, claims, judgments, costs and expense of any kind (including attorney's fees) (i) relating to or arising from or in connection with the possession, use, occupancy, management, repair, maintenance or control of the Demised Premises, or any portion thereof which are not the responsibility of Landlord hereunder; (ii) arising from or in connection with any act or omission of Tenant or Tenant's agents, employees or invitees; or (iii) resulting from any default, violation or injury to person or property or loss of life sustained in or about the Demised Premises. To assure such idemnity, Tenant shall carry and keep in full force and effect at all times during the term of this Lease for the protection of Landlord and Tenant herein, public liability and property damage insurance with combined single limits of One Million Five Hundred Thousand Dollars (\$1,500,000.00). Such insurance policies shall be obtained from an approved insurance company and Tenant shall deliver a copy of said policy or certificate to Landlord showing the same to be in full force and effect.

(b) Tenant shall be and remain liable for the maintenance, repair and replacement of all plate glass in the Demised Premises with glass of like kind and quality, and hereby agrees to keep the same insured under a policy of plate glass insurance.

(c) Tenant shall obtain and at all times during the term hereof maintain, at its sole cost and expense, policies of insurance covering its fixtures, equipment and inventory installed and located on the Demised Premises, in an amount of not less than eighty percent (80%) of the replacement cost of said items. Such insurance shall cover any peril included under insurance industry practice in the state in which the Demised Premises is located within the classification "fire and extended coverage", together with insurance against vandalism, malicious mischief, and sprinkler leakage or other sprinkler damage, boiler and pressure vessel insurance, products liability insurance and liquor liability insurance; and any proceeds of such insurance, so long as this Lease shall remain in effect, shall be used only to repair or replace the items so insured.

(d) Said public liability and property damage insurance policies and any other insurance policies carried by Tenant with respect to the Demised Premises shall (i) be issued in form acceptable to Landlord by good and solvent insurance companies qualified to do business in the state in which the Demised Premises is located and reasonably satisfactory to Landlord; (ii) be issued in the names of Landlord, Tenant

and any other parties in interest from time to time designated in writing by notice from Landlord to Tenant; (iii) be written as primary policy coverage and not contributing either or in excess of any coverage which Landlord may carry; and (iv) provide for 30 days' prior written notice to Landlord of any cancellation or other expiration of such policy or any defaults thereunder. Neither the issuance of any insurance policy required hereunder, nor the minimum limits specified herein with respect to Tenant's insurance coverage shall be deemed to limit or restrict in any way Tenant's liability arising under or out of this Lease.

(e) Tenant shall deliver to Landlord a certificate of insurance evidencing the coverage hereinabove described within thirty (30) days after execution of this agreement. Tenant reserves the right to self-insure. Tenant and Landlord hereby waive any right of subrogation against the other, provided such waiver can be obtained at no additional cost.

18. DAMAGE: If the Demised Premises shall be damaged by fire or other cause, the damage shall be repaired by and at the expense of Landlord and the rent until such repairs have been made shall abate pro-rata according to the part of the Demised Premises which is unusable by Tenant. Due allowance shall be made for reasonable delay which may arise by reason of adjustment of fire insurance on the part of Landlord and/or Tenant, and for personal delay on account of "labor troubles" or any other cause beyond Landlord's control. If, however, the Demised Premises are rendered wholly untenable by fire or other cause, or Landlord shall decide not to rebuild the same, Landlord may, at its option, cancel and terminate this Lease by giving Tenant, within sixty (60) days from the date of such damage, notice in writing of its intention to cancel this Lease, whereupon the term of this Lease shall cease and terminate upon the third day after such notice is given, and Tenant shall vacate the Demised Premises and surrender the same to Landlord, but in neither of the certain contingencies in this paragraph mentioned shall there be any liability on the part of Landlord to Tenant covering or in respect of any period during which the occupation of said Demised Premises by Tenant may not be possible because of the matters hereinabove stated.

19. CONDEMNATION:

(a) If the Demised Premises or any part thereof shall be taken by any governmental or quasi-governmental authority pursuant to the power of eminent domain, or by deed in lieu thereof, Tenant agrees to make no claim for compensation in the proceedings, and hereby assigns to Landlord any rights which it may have to any portion of any award made as a result

of such taking. In the event of any such taking, this Lease shall terminate as to the portion of the Demised Premises taken by the condemning authority and rental shall be reduced in proportion to the portion of the Demised Premises so taken as of the date of such taking; provided, however, that in the event more than twenty percent (20%) of the floor area contained within the Demised Premises is taken, Tenant shall have the option, to be exercised with thirty (30) days of the date of such taking, to terminate this Lease, whereupon the term of this Lease shall cease and terminate on the date of title vesting in the condemning authority. The foregoing notwithstanding, Tenant shall be entitled to claim, prove and receive in the condemnation proceedings such awards as may be allowed for relocation expenses and for fixtures and other equipment installed by it which shall not, under the terms of this Lease, be or become the property of Landlord at the termination hereof, but only if such awards shall be made by the condemnation court in addition to and stated separately from the award made by it for the land and the building or part thereof so taken.

(b) If any part of the parking area in the Shopping Center shall be acquired or condemned as aforesaid, and if, as a result thereof the ratio of parking spaces to one thousand square feet of sales area within all buildings in the Shopping Center is reduced to a ratio below three parking spaces to each one thousand square feet of sales area, then the term of this Lease shall cease and terminate upon the vesting of title in such condemning authority unless the Landlord shall take immediate steps toward increasing the parking ratio in excess of three or more spaces to each one thousand square feet, in which event this Lease shall be unaffected and remain in full force and effect without any reduction or abatement of rent. In the event of any termination of this Lease as provided in this paragraph 19, Tenant shall have no claim against Landlord nor the condemning authority for the value of any unexpired term of this Lease and rent shall be adjusted to the date of said termination.

(c) If the nature, location or extent of any proposed condemnation affecting the Shopping Center is such that Landlord elects in good faith to demolish or abandon the use of the Shopping Center, then Landlord may terminate this Lease by giving at least sixty (60) days' written notice to Tenant at any time after such condemnation and this Lease shall terminate on the date specified in such notice.

20. RULES AND REGULATIONS: Tenant shall at all times comply with the rules and regulations set forth on Exhibit "B" attached hereto, and with any additions thereto and modifications thereof adopted from time to time by Landlord, and each such rule or regulation shall be deemed to be a covenant of this Lease to be performed and observed by Tenant.

21. PARKING AREAS AND OTHER FACILITIES: All parking areas and facilities furnished by Landlord in or near the Shopping Center, including employee parking areas, parking decks, the truckway or ways, pedestrian sidewalks and ramps, landscaped areas, exterior stairways, and other areas and improvements provided by Landlord for the general use, in common, of tenants, their officers, agents, employees and customers, shall at all times be subject to the exclusive control and management of Landlord and Landlord shall have the right from time to time to establish, modify and enforce reasonable rules and regulations therefor. Landlord grants to Tenant, during the term hereof, the non-exclusive right to use, in common with others, all automobile parking area within the Shopping Center for the accommodation and parking of passenger automobiles of tenant, its officers, agents, employees and customers. Tenant agrees that it will cause its officers, agents, and employees to park their automobiles only in such areas as Landlord may from time to time designate as employee parking areas.

22. PERFORMANCE BY TENANT: Tenant covenants and agrees that it will perform all agreements herein expressed on its part to be performed, and that it will, upon receipt of written notice specifying action desired by Landlord in connection with any such covenant (including the payment of money other than the rent reserved hereunder), promptly comply with such notice; and further that if Tenant shall not promptly comply with such notice to the satisfaction of Landlord, then Landlord may, at its option, make any payments so specified on behalf of Tenant or enter upon the Demised Premises and do the things specified in said notice, and Landlord shall have no liability to Tenant for any loss or damage resulting in any way from such action by Landlord, and Tenant agrees to pay promptly upon demand any expense incurred by Landlord in taking such action. Any and all such costs or expenses shall constitute additional rent hereunder.

23. DEFAULT:

(a) By Tenant: If there is any default by the Tenant of any of the covenants, terms and conditions hereunder, Landlord may recover possession thereof by appropriate proceeding in any court of competent

jurisdiction. As to covenants contained in the Lease, the Landlord agrees to give the Tenant thirty (30) days' written notice, specifying the default, prior to instituting a proceeding against the Tenant.

In the event of any deficiency in the payment of the rental during the term of this Lease and upon judgement of possession by a court of competent jurisdiction, or if the Tenant shall vacate or abandon the Leased Premises, Landlord may, by successive suits, recover the rent due hereunder or, at its option, may re-rent from time-to-time said premises for the account of the Tenant, and such re-renting may be for a term or terms equal to, less, or greater than the remaining term hereunder, provided 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, and Landlord shall be entitled to collect the rent accruing under such re-renting and to apply the same first to all costs and expenses, including commissions and attorney's fees incurred in connection with such re-renting and collection of rentals, and apply the balance of the deficiency in accrued rent under this Lease, and by successive suits recover any remaining deficiency from the Tenant. No such re-entry or taking possession of the Leased Premises by Landlord shall be construed as an election on its part to terminate this Lease unless a written notice of such intention be given to Tenant or unless the termination thereof be decreed by a court of competent jurisdiction. Notwithstanding any such reletting without termination, Landlord may at any time thereafter elect to terminate this Lease for any such previous breach. Should Landlord at any time terminate this Lease for any breach, in addition to any other remedies it may have, it may recover from Tenant damages it may incur by reason of such breach, including any unpaid rent and other charges or amounts due under this Lease which are due and owing at the time of termination, and commissions, advertising, costs of repairs to Leased Premises, reasonable attorneys fees and other expenses incidental to recovering and reletting the Leased Premises.

(B) By Landlord: If the Landlord or Landlord's assigns shall fail or neglect to keep and perform each and every one of Landlord's covenants, conditions, and agreements as contained herein, and such failure or neglect is not remedied within thirty (30) days (or such period as may reasonably be required to correct the default with exercise of due diligence) after written notice from the Tenant or Tenant's assigns specifying the default, then the Tenant or Tenant's assigns, at Tenant's option, may pursue any legal remedies available to Tenant. Landlord shall not be liable for damages or injury to person or property of Tenant or of any other person or business unless notice in writing of

any defect (a) which Landlord has under the terms of this Lease the duty to correct, and, (b) which has caused such damage or injury shall have been reasonably given sufficient time for the Landlord to correct such defect and even then, only if such damage or injury is the direct or proximate result of, and is due to, Landlord's negligence.

(C) 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 Tenant shall be permitted to retain possession of the Leased Premises, then such proceedings shall not constitute a waiver of any condition or agreement contained herein or of any subsequent breach thereof or of this agreement.

24. LAWS AND ORDINANCES: Tenant will, at its own cost, promptly comply with and carry out all orders, requirements or conditions now or hereafter imposed upon it by the ordinances, laws and/or regulations of the municipality, county and/or state in which the Demised Premises is located, whether required of Landlord or other wise, in the conduct of Tenant's business, except that Landlord shall comply with any orders affecting the roof, structural walls and columns unless such compliance is due to Tenant's particular business or use of the Demised Premises. Tenant will indemnify and save Landlord harmless from all penalties, claims and demands resulting from Tenant's failure or negligence in this respect.

25. ROOF RIGHTS: Landlord shall have the exclusive right to use all or any portion of the roof of the Demised Premises for any purpose, and shall have the right to erect additional stories or other structures over all or any part of said Demised Premises, provided such construction does not unreasonably interfere with Tenant's use of the Demised Premises.

26. SIGNS: Tenant will not place or suffer to be placed or maintained on the exterior of the Demised Premises any sign, advertising matter or any other thing of any kind, unless the colors, dimensions, design and content shall be approved in writing by Landlord, and subject to (i) any and all applicable laws, ordinances, or regulations of any governmental authorities, and (ii) any insurance requirements; provided, however, that any such signs shall be maintained by Tenant in good condition and repair and in accordance with the standards of the Shopping Center, and Landlord shall have the right to require Tenant to upgrade or replace any such signs in connection with a renovation of the Shopping Center. Tenant shall obtain and pay for all permits and licenses required in connection with any such approval sign(s), and shall be responsible for the proper installation thereof.

27. SUBORDINATION:

(a) This Lease is subject and subordinate to the lien of any ground leases and to all mortgages or deeds to secure debt which may now or hereafter affect or encumber the Shopping Center or the real property of which the Demised Premises form a part, and to all renewals, modifications, consolidations, replacements or extensions thereof. This paragraph will be self-operative and no further instrument of subordination shall be required. In confirmation of any such subordination, Tenant shall execute within ten (10) days after receipt, any certificate that Landlord may reasonably so request. Tenant covenants and agrees to attorn to Landlord or to any successor to Landlord's interest in the Demised Premises, whether by sale, foreclosure or otherwise.

(b) Notwithstanding the foregoing, in the event any ground lessor, mortgagee or the holder of any deed to secure debt shall elect to make the lien of this Lease prior to the lien of its ground lease or mortgage, then, upon such party giving Tenant written notice to such effect, this Lease shall be deemed to be prior in lien to the lien of such ground lease or mortgage, whether dated prior or subsequent thereto.

28. ESTOPPEL CERTIFICATES: Tenant agrees, at any time and from time to time upon not less than ten (10) days' prior written notice by Landlord, to execute, acknowledge, and deliver to Landlord or to such person(s) as may be designated by Landlord, a statement in writing (i) certifying that Tenant is in possession of the Demised Premises, has unconditionally accepted the same and is currently paying the rents reserved hereunder, (ii) certifying that this Lease is unmodified and in full force and effect (or if there have been modifications, that the Lease is in full force and effect as modified and stating the modifications), (iii) stating the dates to which the rent and other charges hereunder have been paid by Tenant and (iv) stating whether or not to the best knowledge of Tenant, Landlord is in default in the performance of any covenant, agreement or condition contained in this Lease, and, if so, specifying each such default of which notice to Landlord should be sent. Any such statement delivered pursuant hereto may be relied upon by any owner, prospective purchaser, mortgage or prospective mortgagee of the Shopping Center or of Landlord's interest therein, or any prospective assignee of any such mortgagee.

29. HOLDOVER: If Tenant shall not immediately surrender the Demised Premises the day after the end of the term hereby created, then Tenant shall, by virtue of this agreement, become a tenant by the month at the

rental agreed by said Tenant to be paid as aforesaid, commencing said monthly tenancy with the first day next after the end of the term above demised; and said Tenant as a monthly tenant, shall be subject to all of the conditions and covenants of this Lease as though the same had originally been a monthly tenancy. Each party hereto shall give to the other at least thirty (30) days' written notice to quit the Demised Premises (any right to a longer notice period being hereby expressly waived), except in the event of non-payment of rent in advance or of the other additional rents provided for herein when due, or of the breach of any other covenant by the said Tenant, in which event Tenant shall not be entitled to any notice to quit, the usual thirty (30) days' notice to quit being expressly waived; provided however, that in the event that Tenant shall hold over after expiration of the term hereby created, and if Landlord shall desire to regain possession of said Demised Premises promptly at the expiration of the term aforesaid, then at any time prior to the acceptance of the rent by Landlord from Tenant, as monthly tenant hereunder, Landlord at its election or option, may re-enter and take possession of the Demised Premises forthwith, without process, or by any legal action or process in force in the state in which the Demised Premises is located.

30. LANDLORD ACCESS: Landlord may enter the Demised Premises at reasonable hours and with reasonable notice to exhibit the same to prospective purchasers, mortgagees, or tenants, to inspect the Demised Premises to see that Tenant is complying with all its obligations hereunder, or to make required repairs.

31. NOTICES: All notices required or desired to be given hereunder by either party to the other shall be sent by first class mail, postage prepaid, by certified or registered mail, return receipt requested. Notices to the respective parties, and any amounts required to be paid hereunder, shall be addressed and sent as follows:

LANDLORD:
c/o Franklin Property Company
8401 Connecticut Avenue
Chevy Chase, Maryland 20815

TENANT:
Montgomery County Government
Department of Facilities & Services
110 North Washington Street, #318
Rockville, Maryland 20850

Either party may designate a substitute address, from time to time, by notice in writing sent in accordance with the provisions of this paragraph 31.

32. LANDLORD'S LIABILITY: Any agreement, obligation or liability made, entered into or incurred by or on behalf of B. F. Saul Real Estate Investment Trust binds only its trust property and no shareholder, trustee, officer or agent of the Trust assumes or shall be held to any liability therefor.

33. QUIET ENJOYMENT: Landlord warrants that it has the right to make this Lease for the term aforesaid and that it will put Tenant into complete and exclusive possession of the Demised Premises. Landlord covenants that if Tenant pays the rent and all other arrearages provided for herein, performs all of its obligations provided for hereunder and observes all of the other provisions, Tenant shall at all times during the term hereof peaceably and quietly have, hold and enjoy the Demised Premises, without any interruption or disturbance from Landlord, or anyone claiming through or under Landlord, subject to the terms hereof.

34. APPLICABLE LAW: This Lease shall be construed under the laws of the state in which the Demised Premises is located.

35. WAIVER OF JURY TRIAL: Landlord and Tenant each hereby waives all right to trial by jury in any claim, action, proceeding or counterclaim by either party against the other on any matters arising out of or in any way connected with this Lease, the relationship of Landlord and Tenant and/or Tenant's use of occupancy of the Demised Premises.

36. NO OPTION: The submission of this Lease for examination does not constitute a reservation of or option for the Demised Premises, and this Lease becomes effective only upon execution and delivery thereof by Landlord.

37. HEADINGS: Captions and headings are for convenience and reference only.

38. GENDER; ASSIGNS AND SUCCESSORS: Feminine or neuter pronouns may be substituted for those of the masculine form, and the plural may be substituted for the singular number, in any place or places herein in which the context may require such substitution or substitutions. The term "Landlord" as used in this Lease, means only the owner for the time being of the Landlord's interest in this Lease; and, in the event of the sale, assignment or transfer by such owner of the Landlord's interest in this Lease, such owner shall thereupon be released and discharged of all covenants and obligations of Landlord hereunder thereafter accruing. Except as provided in the preceding sentence, all of the covenants,

agreements, terms, conditions, provisions and undertaking in this Lease shall inure to the benefit of, and shall extend to and be binding upon, the parties hereto and their respective heirs, executors, legal representatives, successors and assigns, to the same extent as if they were in every case named and expressed.

39. MODIFICATION: This writing is intended by the parties as the final expression of their agreement and as a complete and exclusive statement of the terms thereof. All negotiations, considerations and representations, and all prior and/or contemporaneous agreements between the parties have been fully incorporated herein. No course of prior dealings between the parties or their affiliates shall be relevant or admissible to supplement, explain or vary any of the terms of this Lease. No acceptance of, or acquiescence in, a course or performance rendered under this or any prior agreement between the parties or their affiliates shall be relevant or admissible to determine the meaning of any of the terms of this Lease. No representations, understandings or agreements have been made or relied upon in the making of this Lease other than those specifically set forth herein. This Lease can only be modified by a writing signed by all of the parties hereto or their duly authorized agents. It is understood that any bills, statements of account or rent statements presented by Landlord, or its agent, to Tenant are supplied for convenience only and shall not constitute a waiver of Landlord's right to collect additional amounts provided for herein in respect of any period(s) covered by such bill or statement.

40. SEVERABILITY: If any term, covenant or condition of this Lease or the application thereof to any person or circumstance shall, to any extent be held invalid or unenforceable, the remainder of this Lease or the application of such term, covenant or condition to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby and each term, covenant and condition of this Lease shall be valid and enforced to the fullest extent permitted by law.

41. SURRENDER OF PREMISES: At the expiration of or earlier termination of the term of this Lease, Tenant shall peacefully surrender the Demised Premises to Landlord, in good order and repair, ordinary wear and tear, repairs which are the obligation of Landlord under this Lease and damage by casualty or the elements excepted. Tenant shall surrender all keys for the Demised Premises to Landlord and shall notify landlord in writing of all combinations of locks, safes, and vaults, if any, in the Demised Premises. Tenant shall comply with the provisions of

paragraph 14 hereof respecting the removal of trade fixtures. Tenant's obligations to observe and perform the covenants set forth in this paragraph 41 shall survive the expiration or earlier termination of this Lease.

42. ASSIGNMENT/SUBLETTING: Notwithstanding anything which may be to the contrary in paragraph 10(a) and provided Tenant is not in default of any of the material terms or provisions of this Lease, Landlord will not unreasonably withhold its consent to any assignment of this Lease or sublease of the Demised Premises, provided, however, that Landlord shall have the following options:

(a) Upon receipt from Tenant of written request for Landlord's consent to such an assignment or sublease, Landlord may cancel this Lease as of the date the requested subletting or assignment is to be effective. This option shall be exercised, if at all, within ninety (90) days following receipt by Landlord of the request for consent including financial information on the proposed tenant and such other information concerning the proposed tenant as the Landlord may request, by delivery to Tenant of written notice of Landlord's intention to exercise this option.

(b) Landlord may lease the whole or any portion of the Demised Premises directly to Tenant's prospective tenant, in which event, notwithstanding the last sentence of paragraph 10(a) hereof, Tenant shall be released from all liability with respect to the portion of the Demised Premises so leased.

(c) Upon the Landlord granting its consent to any proposed assignment or sublease, all rental amounts and any additional payments arising hereunder and all rental amounts and any additional payments arising under the assignment or sublease in excess of all rentals contained in this Lease, shall be payable to Landlord, it being the express intent of this subparagraph that Tenant shall not profit by any such assignment or sublease.

43. NON-DISCRIMINATION: Landlord agrees to abide by the provisions of Executive Regulation No. 9-75 (re: Non-Discrimination in Employment in County Contracts) adopted July 7, 1977, and as set forth in Section 11B-3, Chapter 27 of the Montgomery County Code 1984, as amended.

44. CONTRACT SOLICITATION: Landlord represents that it has not retained anyone to solicit or secure this Lease from Montgomery County, Maryland, upon an agreement or understanding for a commission,

percentage, brokerage or contingent fee, except for bona fide employees or bona fide established commercial, selling or leasing agencies maintained by the Landlord for the purpose of securing business or an attorney rendering professional legal service consistent with applicable canons of ethics.

45. PUBLIC EMPLOYMENT: Landlord understands that unless authorized under Section 11B-46 or 11B-54 of the Montgomery County Code, 1984, as amended, it is unlawful for any person transacting business with Montgomery County, Maryland, to employ a public employee for employment contemporaneous with his or her public employment.

46. NON-APPROPRIATION: Tenant shall have the right to terminate this Lease Agreement at any time in the event that the Montgomery County Council fails to appropriate sufficient necessary funding for the continued operation of the leased premises, provided that in such an event, the Tenant shall provide Landlord with no less than forty-five (45) days' written notice of termination.

IN WITNESS WHEREOF, the parties hereto have executed this Lease under seal on the day and year first above written.

WITNESS:

LANDLORD:

B. F. SAUL REAL ESTATE INVESTMENT TRUST

M. H. Greene
(seal)

PLK By: [Signature]
Vice President

Date: 7th of May, 1992

WITNESS:

TENANT:

MONTGOMERY COUNTY, MARYLAND

By: [Signature]

By: [Signature]
Alastair McArthur, Deputy
Chief Administrative Officer

Date: 5/20/92

RECOMMENDED:

By: [Signature]
Gloria W. Kratz, Chief
Office of Real Estate Management

Date: 5/13/92

APPROVED AS TO FORM & LEGALITY
OFFICE OF THE COUNTY ATTORNEY

By: [Signature]

Date: 4/20/92

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