

## LAND DISPOSITION AGREEMENT — GROUND LEASE

By and Among

THE DISTRICT OF COLUMBIA REDEVELOPMENT LAND AGENCY,

THE DISTRICT OF COLUMBIA

and

DC ARENA L.P.

DATED AS OF DECEMBER 29, 1995

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## LAND DISPOSITION AGREEMENT — GROUND LEASE

THIS LAND DISPOSITION AGREEMENT — GROUND LEASE (this "Lease") is duly made and entered into as of the ~~29th~~ day of December, 1995 (the "Effective Date"), by and among (i) the DISTRICT OF COLUMBIA REDEVELOPMENT LAND AGENCY, an instrumentality of the District of Columbia, or any successor agency ("RLA"), (ii) the DISTRICT OF COLUMBIA, a municipal corporation ("District"), (iii) DC ARENA L.P., a District of Columbia limited partnership ("Lessee").

### RECITALS:

A. RLA is a District of Columbia agency that has responsibility for the replanning and rebuilding of slum, blighted, and other areas pursuant to the District of Columbia Redevelopment Act of 1945, as amended (D.C. Code 5-801 *et seq.*) (the "Act").

B. In furtherance of the objectives of the Act, an Urban Renewal Plan was prepared for an urban renewal project, known as the Downtown Urban Renewal Area (the "Project") and was adopted by the National Capital Planning Commission (the "Planning Commission") on January 9, 1969 and approved by the District of Columbia Council on January 28, 1969 and modified by the Planning Commission on (1) April 2, 1970, (2) October 7, 1971, (3) November 4, 1971, (4) October 5, 1972, (5) December 7, 1972, (6) November 7, 1974, (7) February 5, 1976, (8) December 14, 1977, (9) March 2, 1978, (10) April 5, 1979, (11) and (13) June 28, 1979, (12) August 2, 1979, (14) May 5, 1983, (15) October 2, 1986, (16) February 2, 1989, (17) December 1, 1994, and (18) October 5, 1995 and approved by the District of Columbia Council on (1) June 25, 1970, (2) November 16, 1971, (3) January 18, 1972, (4) December 19, 1972, and (5) March 29, 1973, and by the Council (as hereinafter defined) on (6) December 16, 1975, (7) May 3, 1976, (8) April 18, 1978, (9) July 13, 1978, (10) and (11) November 20, 1979, (12) March 18, 1980, (13) November 25, 1980, (14) July 5, 1983, (15) November 29, 1988, (16) June 21, 1994, (17) July 29, 1995, and (18) October 10, 1995 which plan, as so modified, and as it may hereafter be further modified from time to time pursuant to the Act and this Lease, shall hereinafter be referred to as the "Plan."

C. Lessee has offered to lease from RLA certain real property situated within the boundaries of the Project and more particularly described in Exhibit A hereto (the "Arena Land"), and to redevelop the same for and in accordance with the uses specified in the Plan and this Lease.

D. RLA believes that the redevelopment of the Arena Land pursuant to this Lease is in the vital best interests of the District of Columbia and will promote the health, safety, morals and welfare of its residents in accordance with applicable District of Columbia law.

E. Lessee intends to construct a multi-purpose arena for the performance of sports and entertainment events and related amenities (the "DC Arena") on the Arena Land.

F. Lessee will enter into (i) a license agreement by and between Lessee as licensor and Washington Bullets L.P. as licensee (the "Bullets License Agreement"), and

Washington Bullets L.P. is both the holder of a franchise issued by the National Basketball Association ("NBA") for territory which includes the District of Columbia, and the owner of the Washington Bullets professional basketball team (the "Bullets"), and (ii) a license agreement by and between Lessee as licensor and Washington Capitals L.P. as licensee (the "Capitals License Agreement"), and Washington Capitals L.P. is both the holder of a franchise issued by the National Hockey League ("NHL") for territory which includes the District of Columbia, and the owner of the Washington Capitals professional hockey team (the "Capitals").

G. The Bullets License Agreement and the Capitals License Agreement will commit the Bullets and the Capitals, respectively, to the use and enjoyment of the DC Arena in which each will play all of its home Games (as hereinafter defined) for the term of such license agreements.

H. RLA desires to lease to Lessee, and Lessee desires to lease from RLA, the Arena Land, upon which Lessee will construct, own and operate the DC Arena, all upon the terms and conditions herein set forth.

NOW, THEREFORE, in consideration of the premises, terms, conditions and agreements contained herein, the parties hereby agree as follows:

## ARTICLE I

### RECITALS AND DEFINITIONS

1.1 Recitals. The recitals set forth above are hereby incorporated as if set forth herein in their entirety.

1.2 Definitions. As used in this Lease and unless otherwise expressly indicated, the following terms shall have the following meanings:

"Act" shall have the meaning set forth in Recital "A."

"Action" shall mean any demand, assertion, claim, suit, hearing, action, or judicial or other proceeding.

"Affiliate(s)" shall mean as to any named individual or entity: (a) any individual or entity directly or indirectly owning, controlling or holding with power to vote fifty percent (50%) or more of the outstanding voting interests of such named entity; (b) any entity fifty percent (50%) or more of whose outstanding voting interests are, directly or indirectly, owned, controlled or held with power to vote by such named individual or entity; or (c) any entity or individual directly or indirectly through one or more intermediate persons or entities controlling, controlled by or under common control with (using ownership of fifty percent (50%) or more of outstanding voting interests or actual control pursuant to contract or

otherwise as a test for determining control with respect to an entity) such named individual or entity.

"Arena Advertiser" shall mean a Person whose identity, services or products are the subject of advertising in the DC Arena.

"Arena Event(s)" shall mean all sporting, entertainment or other activities held at the DC Arena, including all Games and DC Additional Events.

"Arena Land" shall have the meaning set forth in Recital "C."

"Arena Parking" shall mean the parking spaces located in the DC Arena garage.

"Basketball Game(s)" shall mean basketball games played by the Bullets during each Basketball Season, including divisional, conference and championship play-off games, and the NBA All-Star Game and any other event held at the DC Arena in which NBA professional basketball players participate.

"Basketball Season" shall mean a period of time coextensive with the NBA season as established from time to time under basketball Rules and Regulations.

"Bullets" shall have the meaning set forth in Recital "F."

"Bullets License Agreement" shall have the meaning set forth in Recital "F."

"Business Day" shall mean any day other than a Saturday, a Sunday or a public or bank holiday or the equivalent for banks generally under the laws of the District of Columbia.

"Capitals" shall have the meaning set forth in Recital "F."

"Capitals License Agreement" shall have the meaning set forth in Recital "F."

"Club Seats" shall mean spectator seats to be constructed as part of the DC Arena and designated as Club Seats by Lessee from time to time.

"Completion Date" shall mean the date of Substantial Completion, unless otherwise specified herein.

"Concessionaires" shall mean the Person or Persons who contract with Lessee to operate concessions at the DC Arena, which operation shall include (i) the right to sell and otherwise provide food, beverages, merchandise, novelties, souvenirs and other goods and services in the DC Arena and on the Arena Land, including such sales to the public from the general seating concession areas, and (ii) the right to sell and otherwise provide food, beverage and other goods and services from the areas of the DC Arena used and operated as

restaurant and catering facilities to patrons of such DC Arena restaurants, persons occupying the Premier Seating and such other persons within or without the DC Arena as may be designated by Lessee.

"Condemnation" shall mean any taking of property by exercise or threat of exercise of the power of eminent domain, whether by formal condemnation proceedings or by purchase, lease or other agreement under threat of exercise of the power of eminent domain proceedings.

"Council" shall mean the Council of the District of Columbia under the District of Columbia Self-Government and Governmental Reorganization Act, or its successor.

"DC Additional Event" shall mean (i) not-for-profit activities in support of the District of Columbia, including but not exclusively, graduations, convocations and other academic events for high school students and (ii) large assembly events in conjunction with activities in the existing or proposed District of Columbia Convention Center or other large government facilities. DC Additional Events shall not exceed ten (10) per Rent Year.

"DC Additional Event Period" shall have the meaning set forth in Section 8.4(a).

"DC Arena" shall mean the multi-purpose arena described in Recital "E."

"Discharge" shall have the meaning set forth in Article XVII.

"Effective Date" shall have the meaning set forth in the initial paragraph of this Lease.

"Environmental Law(s)" shall mean each and every law, statute, ordinance, regulation, rule, judicial or administrative order or decree, permit, license, approval, authorization and similar requirement of each and every federal and District governmental agency or other governmental authority relating to any Hazardous Substances, including the Clean Water Act, the Clean Air Act, the Toxic Substances Control Act, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, the Hazardous Materials Transportation Act, the Resource Conservation and Recovery Act, the Hazardous Substances Account Act, the Hazardous Substances Act, the Underground Storage Tank Act of 1984, and the District of Columbia Underground Storage Tank Management Act of 1990 (District of Columbia Code, Section 6-995).

"GAAP" shall mean generally accepted accounting principles in the United States of America in effect from time to time, as reasonably interpreted by Lessee's certified public accountants.

"Games" shall mean Basketball Games and Hockey Games, collectively, but shall exclude any (i) isolated games which either the NBA or NHL directs be played at a location



other than the DC Arena and (ii) exhibition games which either of the Teams elects, in its sole discretion, to play at a location other than the DC Arena.

"Hazardous Substance(s)" shall mean any substance, material, condition, mixture or waste which is now or hereafter (1) defined as a "hazardous waste," "hazardous material," "hazardous substance," "extremely hazardous waste," "restricted hazardous waste," "oil," "pollutant" or "contaminant" under any provision of District of Columbia, federal or other applicable law; (2) classified as radioactive material; (3) designated as a "hazardous substance" pursuant to Section 311 of the Clean Water Act, 33 U.S.C. Section 1251 et seq. (33 U.S.C. Section 1321) or listed pursuant to Section 307 of the Clean Water Act (33 U.S.C. Section 1317); (4) defined as a "hazardous waste" pursuant to the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq. (42 U.S.C. Section 6903); (5) defined as a "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601 et seq. (42 U.S.C. Section 9601); (6) determined to be a "hazardous chemical substance or mixture" pursuant to the Toxic Substances Control Act, 15 U.S.C. Section 2601 et seq. (15 U.S.C. Section 2605); (7) identified for remediation, storage, containment, removal, disposal or treatment in any District plan for the Arena Land; or (8) determined by District or federal authorities to pose or be capable of posing a risk of injury to human health, safety or property (such substances to include petroleum and petroleum byproducts, asbestos, polychlorinated biphenyls, polynuclear aromatic hydrocarbons, cyanide, lead, mercury, acetone, styrene, and "hazardous air pollutants" listed pursuant to the Clean Air Act, 42 U.S.C. Section 7412).

"Hockey Game(s)" shall mean hockey games played by the Capitals during each Hockey Season, including play-off Games, and the NHL All-Star Game and any other event held at the DC Arena in which professional NHL hockey players participate.

"Hockey Season" shall mean a period of time coextensive with the NHL season as established from time to time under hockey Rules and Regulations.

"Initial Term" shall have the meaning set forth in Section 5.1.

"Interest Rate" shall mean the interest rate equal to two percent (2%) per annum above the rate of interest per annum then published or otherwise publicly announced by NationsBank, N.A., a national banking association, or its successors as its prime rate (the "Base Rate"), but in no event exceeding the maximum legal rate permitted to be charged to the party obligated to pay such interest, the Interest Rate changing as and when the Base Rate changes; provided, however, that if any Obligation to which the Interest Rate applies remains unpaid after one hundred eighty (180) days, then, for periods commencing on the one hundred eighty-first (181st) day that said Obligation remains unpaid, five percent (5%) shall be substituted for two percent (2%) in applying the foregoing formula to calculate the Interest Rate on such Obligation.

"Lessee Advance" shall have the meaning set forth in Section 13.4(c).

"Lessee Default" shall have the meaning set forth in Section 13.1.

"Lessee's Property" shall have the meaning set forth in Section 14.2.

"Luxury Suites" shall mean enclosed, privately accessed suites to be constructed as part of the DC Arena and shall include those suites designated as "Founders Suites."

"Metro Access" shall mean the pedestrian walkway or walkways, at least portions of which are intended to be below-grade, to be constructed at the sole cost and expense of District, to provide appropriate access between the DC Arena and the Gallery Place Metro Station.

"NBA" shall have the meaning set forth in Recital "F."

"NHL" shall have the meaning set forth in Recital "F."

"Notice of Extension" shall have the meaning set forth in Section 5.2(a).

"Obligations" shall mean and include, of any party to this Lease, any and all of such party's obligations and/or liabilities of every kind, nature and description, direct or indirect, secured or unsecured, joint, several, joint and several, absolute or contingent, due or to become due, now or hereafter existing or arising, regardless of how such obligations or liabilities arise or by what agreement or instrument they may be evidenced or whether evidenced by any agreement or instrument, including any and all of such party's obligations and/or liabilities under this Lease or under any other agreement to which Lessee is a party and either RLA, District or both is also a party regardless of whether the obligation is to perform acts or refrain from taking any action.

"Ongoing Obligations" shall have the meaning set forth in Section 3.2.

"Person" shall mean an individual, general or limited partnership, limited liability partnership or company, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture or any other entity, RLA, District, the United States, or any federal, state or political subdivision thereof or any agency or court of any such federal, state or political subdivision.

"Plan" shall have the meaning set forth in Recital "B."

"Planning Commission" shall have the meaning set forth in Recital "B."

"Premier Seating" shall mean the Luxury Suites and the Club Seats, collectively.

"Project" shall have the meaning set forth in Recital "B."

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"Promoter" shall have the meaning set forth in Section 8.4(a)

"Property Damage" shall mean any partial or total damage or destruction of the DC Arena caused by fire or other occurrence.

"Public Charges" shall mean all taxes, water rents and other public charges which are levied, assessed or imposed by District or any other public authority against the Arena Land and/or the DC Arena on or after the Effective Date; explicitly excluding (i) Real Estate Taxes, (ii) Sales Tax subject to the credit and offset described in Section 6.3, (iii) storm water discharge fees, (iv) street, sidewalk or parking meter rental charges and (v) any other rent, tax or charge which is to be waived or paid by District or RLA.

"Real Estate Taxes" shall mean real estate taxes, assessments and other governmental levies and charges, including those taxes levied under the District of Columbia Code Section 47-801 et seq., general and special, ordinary and extraordinary, of any kind or nature, lawfully levied or assessed by District, upon or with respect to the DC Arena and any and all other improvements hereafter constituting a part of the DC Arena, any tax on Lessee's rights hereunder in the nature of a leasehold or possessory interest tax, even if levied directly against Lessee rather than against the DC Arena and whether or not secured by a lien on any of the foregoing property or any taxes in lieu thereof, and service payments and other payments in lieu of any of the foregoing.

"Renewal Term" shall have the meaning set forth in Section 5.2(a).

"Rent" shall have the meaning set forth in Section 6.2.

"Rent Commencement Date" shall mean the date upon which Lessee has obtained an unconditional certificate of occupancy from District and the Certificate of Completion (as defined in Section 4.5) from RLA such that Arena Events may be held in the DC Arena.

"Rent Year" shall mean each period of twelve (12) consecutive calendar months during the Term (excluding the time period prior to the Rent Commencement Date), with the first Rent Year commencing on the Rent Commencement Date; provided, however, the final Rent Year of the Term shall end, at the option of Lessee, on September 30. "Rent Years" means more than one (1) Rent Year.

"RLA/District Default" shall have the meaning set forth in Section 13.3.

"Rules and Regulations" shall mean the following governing documents and agreements, as they may be amended from time to time:

- (a) Constitutions of the NBA and the NHL;
- (b) NBA and NHL By-Laws;

- (c) Resolutions of the NBA and NHL Boards of Governors;
- (d) NBA and NHL Operations Manuals; and
- (e) other NBA and NHL rules, regulations, and policies.

"Sales Tax" shall mean any present or future fee or charge in the nature of any excise, sales, use, utility, luxury, entertainment, admission or possessory interest tax, levy or other imposition (or any fee or charge imposed or payable in lieu thereof), which is levied by, for, or at the request of or for the benefit of District (including any authority, board, commission, or agency established or controlled in whole or in part by District or appointees or nominees of the executive, legislative or judicial branch or function of District), assessed, levied, imposed or charged for, against or in respect of the grant, charge for, sale or purchase of, or based upon or measured by the charge, sales or purchase price for or value of (including the imputation of such charge, sales or purchase price from other revenue) (i) the right or privilege or permission to enter, or evidence of the right or privilege or permission to enter, the DC Arena (whether by ticket, season ticket, subscription, license or otherwise), and (ii) the food, drink, or tangible personal property sold at retail in or around the DC Arena. Without limitation, Sales Tax shall include the tax levied under Section 47-2002 of the District of Columbia Code on retail sales as defined in Section 47-2001(n)(1) (A) and (H) of the District of Columbia Code and under all amendatory, supplementary and replacement provisions thereof.

"Season" shall mean the Basketball Season, the Hockey Season, or both.

"Site Work" shall have the meaning set forth in Section 3.1.

"Substantial Completion" or "Substantially Completed" shall mean the completion of the DC Arena as evidenced by the issuance of the certificate of occupancy permitting substantially full use, operation and occupancy of the DC Arena.

"Team Licenses" shall have the meaning set forth in Section 25.3.

"Teams" shall mean the Bullets and the Capitals, collectively.

"Term" shall mean, collectively, the Initial Term of this Lease as set forth in Section 5.1 and any Renewal Term by which this Lease is extended pursuant to Section 5.2.

"WMATA" shall mean the Washington Metropolitan Area Transit Authority.

"WMATA Agreement" shall mean the agreement or agreements by and among any of RLA, Lessee, District, and WMATA, relating to (i) the construction and operation of the Metro Access, and (ii) a mass transportation plan for serving the DC Arena by public (i.e. Metrobus) and private buses and rail rapid transit (i.e. Metrorail).

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1.3 Accounting Terms. Any accounting term used in this Lease shall have, unless otherwise specifically provided herein, the meaning customarily given in accordance with GAAP, and all financial computations hereunder shall be computed, unless otherwise specifically provided herein, in accordance with GAAP.

## ARTICLE II

### **GRANTING OF THE ARENA LAND**

For the Term, at the Rent and upon the terms, conditions and provisions contained in this Lease, RLA hereby leases to Lessee, and Lessee hereby leases from RLA, the Arena Land and all rights, privileges, easements and appurtenances thereunto belonging. Possession of the Arena Land shall, subject to the terms of this Lease, vest in Lessee as of the Effective Date. Promptly after execution of this Lease by the parties, Lessee shall file this Lease and, upon determination of the last day of the Initial Term in accordance with Section 5.1, a supplement to this Lease, with the Recorder of Deeds, Division of the Department of Finance and Revenue, for recordation among the land records of the District of Columbia.

## ARTICLE III

### **PRE-CONSTRUCTION AND ONGOING OBLIGATIONS AND RESPONSIBILITIES**

3.1 Pre-Construction Obligations. RLA and District jointly and severally represent and warrant that, except as set forth below, as of the Effective Date, the Site Work has been performed fully and correctly by RLA and/or District and, except as otherwise expressly set forth herein, at their sole cost and expense. As used herein, "Site Work" shall mean:

(a) (i) The acquisition and fee simple ownership by RLA of the Arena Land (including G Street, N.W. between 6th and 7th Streets, N.W.) and delivery of exclusive possession of the same to Lessee, free and clear of any and all encumbrances not approved by Lessee in writing, (ii) the termination of any leases which affect the Arena Land or any portion thereof (including any such leases of office space to District), and (iii) the relocation of employees of District off of the Arena Land;

(b) Timely publication in the D.C. Register of all notices required under District law of any covenant, agreement or Obligation of District, RLA, or Lessee under this Lease, including notice of the Site Work, and any notices required for commencement of construction of the DC Arena as of the Effective Date;

(c) Completion of all environmental studies and assessments of the Arena Land, including the environmental impact statement and air clearance monitoring;

(d) Completion of all environmental remediation of the Arena Land, including removal of underground tanks, contaminated soil and all other environmental hazards and Hazardous Substances that present a threat to human health or the environment;

(e) Demolition of buildings on Arena Land, including, to the extent applicable, securing of and waiver of payment for all permits and governmental approvals for razing and any other required permits and inspections, removal of building foundations, and removal of asbestos, contaminated soil and all other environmental hazards and toxic materials;

(f) Deactivation, cutting, digging, demolition and capping of utilities, i.e., electric, gas, water, sewer, storm and telephone (including deactivation and capping, at the property line, of utilities serving buildings demolished pursuant to clause (e) immediately above); provided, however, in respect of Site Work referenced in this subsection, RLA and District shall not be responsible for any cost in excess of Three Hundred Thousand Dollars (\$300,000), which excess cost shall be the responsibility of Lessee;

(g) Relocation and rerouting of utilities;

(h) Relocation of the electrical substation which serves the Gallery Place Metro Station and is presently located in the northwest corner of the Arena Land;

(i) Assisting Lessee in securing all permits and governmental approvals required for the commencement of construction of the DC Arena as of the Effective Date, including issuance by District, where applicable, of (i) those permits and governmental approvals pertaining to the Site Work, (ii) the approval of the Environmental Protection Agency, the National Capital Planning Commission, and the Council with respect to environmental matters, (iii) the foundation permit, and (iv) all other necessary regulatory approvals and permits;

(j) Any off-site work, including any off-site environmental remediation, required to commence construction of the DC Arena as of the Effective Date;

(k) Completion of all archeological studies conducted on or in connection with the Arena Land; and

(l) Any other work required to make the Arena Land available to Lessee in a condition so as to permit the commencement of construction of the DC Arena as of the Effective Date.

Notwithstanding the foregoing, RLA, District and Lessee acknowledge that the Site Work set forth on Exhibit B hereto has not been completed as of the Effective Date, and Lessee acknowledges that the commencement of construction will not be delayed on account of such Site Work not being complete. RLA and District hereby agree that (i) all of the Site Work shall be completed in accordance with the estimated completion dates set forth on



Exhibit B and (ii) such Site Work shall be completed in a manner and on a time schedule that will not delay the construction of the DC Arena. Lessee shall cooperate with RLA and District to facilitate the completion of the Site Work.

3.2 Ongoing Obligations of RLA and District. RLA and District hereby covenant to perform and satisfy, or cause to be performed and satisfied, each of the following matters set forth in this Section 3.2 (the "Ongoing Obligations"):

(a) RLA and District shall be jointly and severally liable for all costs of any required environmental remediation both of the Arena Land and off-site in connection with the development and construction of the DC Arena. After construction of the DC Arena has commenced, such remediation may, at Lessee's option, be pursued and completed by Lessee, and in such event, RLA and District shall remain jointly and severally liable for payment or reimbursement, as applicable, of all costs and expenses of such remediation.

(b) RLA and District shall be jointly and severally responsible, at their sole cost and expense, for the relocation of the present Bell Atlantic duct bank to a position where it will not impede or interfere in any way with the construction or operation of the DC Arena, such relocation to occur not later than December 15, 1995, subject to force majeure.

(c) District shall waive, and neither Lessee, Lessee's design/build contractor nor any other Person shall have any responsibility for, charges or fees relating to use of public space, including any storm water discharge fees or street, sidewalk or parking meter rental charges imposed in connection with, or arising out of the construction or development of, the DC Arena or the Arena Land.

(d) District shall provide for all Arena Events, at its sole cost and expense, highly visible police protection directly outside the Arena and in the surrounding area at a level sufficient to provide the highest practicable level (as determined by District in its reasonable judgment) of safety and security for patrons of the DC Arena, traffic control personnel and other public safety personnel and measures, including appropriate signage for transportation and parking management of all motor vehicles (including public and private buses) providing transportation to and from Arena Events.

(e) District shall make a finding under 10 DCMR 2506.2 that denial of any application for a permit required under this Lease and/or necessary to construct the DC Arena, including phased building permits and a final building permit and related permits and approvals such as mechanical, electrical and plumbing permits and approvals, will constitute a modification or departure from the Plan; provided that any necessary application or request shall be consistent with applicable law.

(f) District shall publish in the D.C. Register any notice with respect to any covenant, agreement or Obligation of District, RLA or Lessee under this Lease of which notice is required under District law to be promulgated in the D.C. Register.

(g) District shall diligently seek in good faith to enact legislation to be effective as of the Rent Commencement Date (i) which, by amendment of Section 25-111(a)(7)(G)(i) of the District of Columbia Code, shall grant to Lessee (or, at Lessee's option, the applicable Concessionaire), effective as of the Rent Commencement Date, as operator of the DC Arena, a liquor license that authorizes the sale of spirits, wine and beer at the DC Arena for consumption anywhere on the premises of the DC Arena, the fees for such a liquor license to be established by the Mayor pursuant to an amendment to Section 25-111(a)(7)(I) of the District of Columbia Code (such fees to be no higher than those charged to other comparable C/X liquor licensees), and (ii) which shall prohibit DC Arena patrons from bringing food or beverages into the DC Arena or onto the Arena Land, such legislation to prohibit substantially the same conduct prohibited by the law enacted with respect to the Robert F. Kennedy Memorial Stadium and codified at Section 2-341 et seq. of the District of Columbia Code, as amended.

(h) District shall issue or obtain, and (provided that any necessary application or request shall be consistent with applicable law) without delay to the development schedule, all permits, inspections and governmental approvals required under this Lease and/or necessary to construct the DC Arena, including phased building permits and a final building permit, and related permits and approvals such as mechanical, electrical and plumbing permits and approvals. All information provided Lessee by RLA or District regarding utilities, rail rapid transit (i.e., Metrorail) facilities and other matters affecting the construction of the DC Arena shall be true and correct in all material respects. In accordance with Section 27.15, District shall actively defend against any and all administrative, legislative or judicial challenges to the issuance of any permit or governmental approval required under this Lease and/or to construct the DC Arena.

(i) Each of District and RLA shall make prompt payment of all money due and legally owing from it to all Persons doing any work or furnishing any materials or supplies to it or any of its contractors in connection with the Site Work and shall use its reasonable efforts to cause prompt payment to be made by its contractors to subcontractors. Neither District nor RLA shall permit any mechanics' or similar lien to be filed against any portion of the Arena Land or the DC Arena in connection with the Site Work. Within three (3) Business Days after the filing of any such lien, District and/or RLA shall cause such lien to be fully discharged by (i) payment or the posting of a bond or (ii) the recordation of a release or the order of a court of competent jurisdiction.

#### ARTICLE IV

#### **PREPARATION OF PLANS, CONSTRUCTION OF DC ARENA AND CERTIFICATE OF COMPLETION**

4.1 Submission of Initial Plans. Lessee has submitted to RLA initial plans and outline specifications for the DC Arena, including a site plan, elevations, and typical floor plans (collectively, the "Initial Plans"), the Initial Plans conform to the Plan, and RLA, by



execution of this Lease, acknowledges that it has approved the Initial Plans. The Initial Plans are in sufficient completeness and detail to enable RLA to confirm that the Initial Plans conform to the provisions, objectives, restrictions, standards and controls of the Plan and this Lease and to enable RLA to hereby approve the architectural and aesthetic qualities of the DC Arena.

4.2 Changes in Initial Plans. If Lessee desires to make any change in the Initial Plans with respect to exterior materials and design siting or landscaping, or parking or loading facilities, Lessee shall submit the proposed change to RLA for its approval. RLA shall have fifteen (15) Business Days after submission thereof to approve such change, which approval shall not be unreasonably withheld or conditioned. In the event that RLA fails to act to approve or disapprove such change within fifteen (15) Business Days, then the changes to the Initial Plan shall be deemed approved.

4.3 Submission of Final Plans. Lessee, at its sole cost and expense, shall prepare and submit, or cause to be prepared and submitted, to RLA working drawings and contract specifications for the DC Arena (the "Final Plans"). The Final Plans shall substantially conform in all material respects to the Plan, the provisions of this Lease, the Initial Plans, and all applicable laws and regulations of the District of Columbia.

4.4 Commencement and Completion of Construction of the DC Arena. Lessee agrees for itself and its successors and assigns that Lessee, and such successors and assigns, shall:

- (a) except as otherwise set forth in this Lease, be responsible for all costs associated with the design, development, construction, financing and operation of the DC Arena;
- (b) be responsible for the protection of the structural integrity of the Gallery Place Metro station and the G Street and 7th Street Metro tunnels, except with respect to any damage caused by or resulting from the inaccuracy of any information provided by RLA, District or WMATA or resulting from the acts of RLA, District, WMATA or their agents;
- (c) fully cooperate, and shall cause its design/build contractor to fully cooperate, with RLA and District to facilitate all government processes and the securing of all permits and approvals required under this Lease and/or necessary to construct the DC Arena; and
- (d) promptly begin and diligently prosecute to completion the redevelopment of the Arena Land through the construction of the DC Arena thereon and shall cause Substantial Completion to occur not later than three (3) years from the commencement of construction of the DC Arena; provided, however, Lessee shall not be responsible for any failure to cause Substantial Completion to occur on or before such date which is caused by (i) RLA, District, WMATA or their agents, including RLA's or District's failure to complete the Site Work on or before the Effective Date, or (ii) any reason beyond the reasonable control of Lessee.

It is intended and agreed that the agreements set forth in this Section 4.4 shall be covenants running with the Arena Land and that they shall, in any event, and without regard to technical classification or designation, legal or otherwise, and except only as otherwise specifically provided in this Lease, to the fullest extent permitted by law and equity, be binding for the benefit of the community and RLA and enforceable by RLA against Lessee and its successors and assigns to or of the leasehold estate in the Arena Land or any part thereof or any interest therein.

4.5 Progress Reports. Until construction of the DC Arena has been Substantially Completed, Lessee shall make reports, in such detail and at such times as may reasonably be requested by RLA, as to the progress of such construction.

4.6 Certificate of Completion.

(a) Promptly after Substantial Completion, RLA shall furnish Lessee with an appropriate instrument so certifying Substantial Completion of the DC Arena. The instrument certifying Substantial Completion shall be called the "Certificate of Completion." Such certificate furnished by RLA shall be (and it shall be so provided in such certificate) a conclusive determination of satisfaction and termination of the agreements and covenants in this Lease with respect to the obligations of Lessee, and its successors and assigns, to construct the DC Arena and the dates of the beginning and completion thereof.

(b) The Certificate of Completion shall be in such form as will enable it to be recorded with the Recorder of Deeds, Division of the Department of Finance and Revenue, for recordation among the land records of the District of Columbia, and shall be approved and issued at the staff level by RLA, without requiring a meeting of the Board of Directors of RLA. If RLA shall refuse or fail to provide the Certificate of Completion in accordance with the provisions of this Section 4.6, RLA shall, within ten (10) Business Days after written request by Lessee, provide Lessee with a written statement, indicating in adequate detail in what respects Lessee has failed to complete the DC Arena in accordance with the provisions of this Lease, or is otherwise in default, and what measures or acts will be necessary, in the opinion of RLA, for Lessee to take or perform in order to obtain the Certificate of Completion.

4.7 Additions or Alterations to Completed Improvements. After the DC Arena has been completed, Lessee shall not during the Term, except where public safety or protection of the DC Arena from material damage so requires, materially reconstruct, demolish, or subtract from or make any material extensions of the DC Arena, or materially alter or change the exterior materials and design, siting and landscaping, or parking or loading facilities without the prior written approval of RLA, which approval shall not be unreasonably withheld, conditioned or delayed, subject to any other approvals that may be required by law.

4.8 Minimum Requirements. Notwithstanding anything herein to the contrary, in all cases where RLA must approve of plans or components of construction of the DC Arena

and changes and alterations to the DC Arena, RLA shall grant such approval if such plans, components, changes or alterations are not inconsistent with the development of a first-class, multi-purpose arena, as reasonably contemplated by, or inferable from, the Initial Plans, subject to any other approvals that may be required by law.

4.9 No Obligation to Incur Expenses. Except as otherwise provided in this Lease or other agreements or as required by law, in connection with any action required or permitted to be taken by Lessee hereunder, neither RLA nor District will be obligated to incur any expense or improve, reconstruct, alter, repair or maintain any portion of the DC Arena or the Arena Land, and Lessee hereby waives any right Lessee may have under any legal requirement to make repairs or take any other action at RLA's or District's expense. Lessee shall reimburse RLA and/or District upon demand for all expenses (including reasonable attorneys' fees and expenses) RLA and/or District incurs in connection with (i) any failure by Lessee to take any action required to be taken by Lessee hereunder or (ii) the taking of any action required or permitted to be taken by Lessee hereunder.

4.10 Title to the DC Arena. Title to the DC Arena shall be and remain in Lessee for and during the Term, subject to the leasehold estate hereunder, but on the expiration of the Term or earlier termination of this Lease (by lapse of time or otherwise), Lessee hereby covenants and agrees, subject to the provisions of Article XIX, that the sole ownership of the DC Arena and the right to possess and use the same shall automatically pass to and be vested in RLA, whereupon the entirety of Lessee's ownership of the DC Arena will automatically terminate and vest in RLA. At the end of the Term, Lessee shall make an absolute assignment (without recourse) to RLA, free of all monetary liens and other monetary encumbrances, of all of the unexpired warranties, guarantees and other contract rights with respect to third parties that Lessee may have, as of the end of the Term, relating to the DC Arena. At RLA's request, Lessee shall execute and deliver to RLA such instruments as may be necessary or appropriate to confirm this assignment and facilitate the exercise by RLA of the rights assigned hereby.

## ARTICLE V

### TERM

5.1 Initial Term. The initial term of this Lease (the "Initial Term") shall commence on the Effective Date and shall end upon the expiration of the thirtieth (30th) Rent Year. Upon determination of the last day of the Initial Term, RLA and Lessee shall execute a recordable supplement to this Lease setting forth such date.

### 5.2 Options to Extend.

(a) RLA hereby grants Lessee the right and option to extend this Lease for two (2) additional periods (each a "Renewal Term") of ten (10) years each, commencing upon the expiration of the Initial Term or the then-expiring Renewal Term, as the case may be;

provided that no material Lessee Default shall have occurred and be continuing. For purposes of this Lease, there shall be no distinction between the terms "renewal" and "extension" or derivations thereof. Each Renewal Term shall be upon the same terms, covenants and conditions as the Initial Term of this Lease. Lessee shall notify RLA in writing of its election to extend this Lease (a "Notice of Extension") for any such Renewal Term no later than one (1) year prior to the expiration of the Initial Term or the then-expiring Renewal Term, as the case may be. In the event that Lessee shall fail to give a Notice of Extension prior to the expiration of such one (1) year period, RLA shall promptly advise Lessee in writing that it has not received a Notice of Extension. Lessee's option to extend shall then remain in full force and effect for a period of thirty (30) days from receipt by Lessee of such written notice from RLA.

(b) The parties to this Lease agree that it is their intention to avoid forfeiture of Lessee's options to extend this Lease as a result of Lessee's inadvertent or negligent failure to give a Notice of Extension. RLA agrees that if Lessee shall fail to give a Notice of Extension to RLA and if RLA shall fail to give notice to Lessee advising Lessee that a Notice of Extension has not been received by RLA, upon what would otherwise be the expiration of the Term without said exercise, Lessee's right to exercise the foregoing options and the Term shall both be deemed automatically extended on a month-to-month basis (unless Lessee gives notice to RLA that it does not intend to exercise its right to extend this Lease, in which event the Term shall expire). Such month-to-month extension shall be subject to (i) RLA's right to place a thirty (30) day time limit on Lessee's continuing right to exercise said option by giving notice to Lessee that RLA has not received a Notice of Extension from Lessee as described in Section 5.2(a), and (ii) RLA's and Lessee's right to terminate this Lease at the end of any month during such month-to-month period by giving the other party thirty (30) days' prior written notice, provided Lessee has not exercised its option to extend prior to such termination. Regardless of the date on which Lessee notifies RLA of its election to exercise its option to extend this Lease, the Renewal Term shall be deemed to have commenced upon the expiration of the Initial Term or the first Renewal Term, as the case may be.

## ARTICLE VI

### RENT

6.1 Initial Payment. On the Effective Date, in consideration for the lease of the Arena Land to Lessee, Lessee, on and subject to all of the terms, conditions and provisions of this Lease, shall pay to RLA an initial rent payment of Two Hundred Thousand Dollars (\$200,000), less any deposit previously paid by or on behalf of Lessee.

6.2 Annual Rent. Commencing on the Rent Commencement Date, Lessee shall pay to RLA annual rent for each Rent Year equal to the following (the initial rent payment and all annual rent payments collectively referred to as "Rent"):

- (a) For each of the first (1st) through sixth (6th) Rent Years, Three Hundred Thousand Dollars (\$300,000);
- (b) For each of the seventh (7th) through tenth (10th) Rent Years, Five Hundred Thousand Dollars (\$500,000);
- (c) For each of the eleventh (11th) through fifteenth (15th) Rent Years, Seven Hundred Thousand Dollars (\$700,000);
- (d) For each of the sixteenth (16th) through twentieth (20th) Rent Years, Nine Hundred Thousand Dollars (\$900,000);
- (e) For each of the twenty-first (21st) through twenty-fifth (25th) Rent Years, One Million One Hundred Thousand Dollars (\$1,100,000);
- (f) For each of the twenty-sixth (26th) through thirtieth (30th) Rent Years, One Million Three Hundred Thousand Dollars (\$1,300,000);
- (g) For each Rent Year during the first (1st) Renewal Term, One Million Five Hundred Thousand Dollars (\$1,500,000); and
- (h) For each Rent Year during the second (2nd) Renewal Term, One Million Seven Hundred Thousand Dollars (\$1,700,000).

Rent shall be paid without demand, in quarterly installments within five (5) days following the end of each calendar quarter for which Rent is due during the Term (with the final installment of Rent to be paid within five (5) days following the expiration of the Term). The first installment of Rent shall be appropriately prorated based on the number of days from the Rent Commencement Date to the end of the calendar quarter next ending. The last installment of Rent shall be appropriately prorated based on the number of days from the beginning of the last calendar quarter to begin during the Term until the expiration of the Term. The amount of the installment of Rent due at the end of a calendar quarter which falls within two Rent Years shall be calculated based on the number of days in such calendar quarter falling within each respective Rent Year.

6.3 Rent Credit and Offset. Each installment of Rent shall be credited and offset by the amount, if any, of any Sales Tax paid by Lessee during the previous calendar quarter resulting from an increase in the rate of any Sales Tax and/or a change in the applicability of any Sales Tax from the applicability of such Sales Tax as of the Effective Date; provided, however, that the credit or offset described in this Section 6.3 shall not be available if (i) such rate increase and/or change in applicability is applicable to all ticket sales and/or retail sales, as the case may be, in the District of Columbia and (ii) no seller of tickets and/or retail merchandise, as the case may be, is treated more favorably than Lessee with respect to any such rate increase and/or change in applicability.

ARTICLE VII**METRO**

The WMATA Agreement shall be in full force and effect as of the Effective Date. No costs or expenses in connection with Metro Access or public buses (i.e. Metrobus) shall be borne by Lessee. In all events, by the Completion Date, (i) the Metro Access shall be fully operational, and (ii) a mass transportation plan for serving the DC Arena by public (i.e. Metrobus) and private buses, including such items as the provision of off-site, on-street parking reserved for buses and the provision of a bus lane, and by rail rapid transit (i.e. Metrorail), shall be in place. No costs or expenses in connection with off-site parking reserved for private buses shall be borne by RLA or District.

ARTICLE VIII**USE OF DC ARENA; DC ADDITIONAL EVENTS**

8.1 Use. During the Term, Lessee and its guests and invitees shall have the exclusive right to possess, occupy and use the Arena Land and the DC Arena for the following purposes:

- (a) to schedule and provide for the occurrence of Arena Events (including Games) and to conduct all activities relating to such Arena Events (including Games);
- (b) to conduct activities relating to the maintenance and operation of professional basketball and hockey teams;
- (c) to occupy and conduct day-to-day business operations in Lessee's office space within the DC Arena;
- (d) to construct, operate and display such signs on the interior of the DC Arena as Lessee deems necessary or desirable;
- (e) to operate concession areas (or to contract with Concessionaires to operate concession areas) in and around the DC Arena;
- (f) to sublease or license space in the DC Arena to subtenants or licensees for uses reasonably consistent with the operation of a first-class, multi-purpose arena and, in connection therewith, to make such alterations, additions or improvements as are reasonably necessary or appropriate;
- (g) to advertise in the DC Arena (or to contract with Arena Advertisers for the advertisement or promotion of such Arena Advertisers' products or services); and



- (h) to use the DC Arena for any and all other lawful purposes.

Notwithstanding the foregoing, the use of the DC Arena and the Arena Land as a casino or other gaming establishment shall not be a permitted use under this Lease.

8.2 Lessee's Operating Covenant. Except as otherwise provided in Articles XV and XIX, and except in connection with a force majeure event, Lessee shall (i) cause each of the Teams from and after the Rent Commencement Date and until the expiration of the Term or earlier termination of this Lease (by lapse of time or otherwise) to play all of its home Games at the DC Arena and (ii) not permit either Team to seek permission from the NBA or NHL, as the case may be, to play any of its home Games other than at the DC Arena; provided, however, that this covenant shall be subject and subordinate to the governing documents of the NHL and the NBA, including those provisions of the governing documents establishing the rights of the NHL or the NBA with respect to termination, sale or relocation of a franchise, which governing documents include the NHL and NBA (i) Constitution, (ii) Bylaws, (iii) rules, regulations, and policies adopted from time to time and (iv) agreements and consents entered into from time to time, including the Consent Agreements to be entered into in connection with this Lease, the financing of the DC Arena and the relocation of the Teams to the DC Arena.

8.3 Lessee's Management Covenant. Lessee shall have the exclusive right to manage the DC Arena during the Term, and shall manage and operate the DC Arena or cause the DC Arena to be managed and operated as a first-class sporting event and entertainment facility and in a professional, businesslike and efficient manner consistent with the manner in which other facilities in which NBA and NHL teams play are managed and operated, all of the foregoing being subject only to any language to the contrary in Articles XV and XIX; provided, however, that Lessee shall be excused from its obligations to manage and operate the DC Arena as described in this Section 8.3 to the extent that Lessee, or any manager or operator or Concessionaire retained by Lessee, shall be prevented from compliance with such standards by (i) any RLA/District Default or (ii) the termination of this Lease.

8.4 DC Additional Events. District shall have the right to conduct DC Additional Events by complying with the following procedure:

(a) District shall use best efforts to schedule DC Additional Events during that portion of a Rent Year not constituting a portion of any Season. District shall notify Lessee not more than one hundred twenty (120) days, and not less than sixty (60) days, prior to any date on which it desires to stage a DC Additional Event; provided, however, District may schedule a DC Additional Event more than one hundred twenty (120) days, but in no event more than one (1) year, prior to the date on which it desires to stage such DC Additional Event upon the consent of Lessee, which consent shall not be unreasonably withheld. Concurrently with such notice, District shall give Lessee notice of the name of the sponsoring organization, if any (the "Promoter"), the nature of the DC Additional Event, the facilities required for use in connection therewith, and the time that will be required for staging the

same and setting up and removing all equipment and other facilities required therefor (the entire period so required is hereinafter referred to as the "DC Additional Event Period"). In no event may all or any part of a DC Additional Event Period occur on any day on which an Arena Event is scheduled or during any other period which Lessee deems necessary, in its reasonable judgment, for a previously scheduled Arena Event or for the efficient operation of the DC Arena. Lessee shall not be expected to provide the DC Arena for a DC Additional Event which, in Lessee's sole discretion, it considers to be a revenue generating opportunity for the DC Arena. Lessee shall notify District within ten (10) Business Days after District's request for the right to conduct a DC Additional Event if the proposed DC Additional Event Period would violate the foregoing provisions. There shall be no more than ten (10) DC Additional Events at the DC Arena during any Rental Year.

(b) Upon receipt by Lessee of a notice given by District pursuant to Section 8.4(a), District, Lessee and the Promoter, if any, shall negotiate in good faith to enter into an agreement pertaining to the applicable DC Additional Event, which agreement shall be in form and substance mutually satisfactory to Lessee and District. District agrees that it will be responsible for the obligations of the Promoter, unless Lessee, after being requested by District, elects, in its sole discretion, to act as the Promoter for such event. In the event of any inconsistency between the provisions of any arrangement with a Promoter (or with District or Lessee if there is no Promoter) and this Lease, the provisions of this Lease shall control. In addition, the following arrangements shall be required in connection with any DC Additional Event, unless District and Lessee agree otherwise:

(i) For any DC Additional Event, District or the Promoter, if any, shall be required to hire, and shall provide advance payment or a payment bond to Lessee for the hiring of, Lessee's personnel or independent contractors normally servicing the DC Arena in accordance with the terms hereof, including security and crowd control personnel, concessions personnel, cleaning personnel, Premier Seating personnel and, if applicable, scoreboard operations personnel. Personnel or designees of District, Lessee or the Promoter, as applicable, may be employed to perform setup and removal of DC Additional Event items and equipment. All of Lessee's costs and expenses related to any DC Additional Event shall be reimbursed to Lessee by District or the Promoter not later than thirty (30) days after written demand therefor;

(ii) All concession and advertising rights of Lessee under this Lease and all rights and privileges of Premier Seating licensees under their Premier Seating licenses shall be honored during any DC Additional Event. Lessee shall arrange for the Concessionaires to provide concessions for DC Additional Events, if and to the extent consistent with the nature of the applicable DC Additional Event and the attendance reasonably anticipated by Lessee at such DC Additional Event; and

(iii) Lessee shall have the right to prohibit any DC Additional Event at the DC Arena if the nature of such DC Additional Event would, in Lessee's reasonable judgment, damage any portion of the DC Arena or render the basketball floor or



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hockey rink unsuitable for playing Games thereon, or render the event floor unsuitable for any other Arena Event.

8.5 Reversionary Rights to RLA. Except for such acts as are expressly authorized by other provisions of this Lease, (i) no act of commission or omission done or suffered to be done by Lessee shall in any manner, directly or indirectly, affect the fee title or reversionary estate of RLA in the Arena Land, including the DC Arena, and (ii) no other provisions of this Lease shall authorize, or be construed to authorize, Lessee to perform any act which may in any way encumber or change any of the rights, title or interests of RLA therein.

8.6 District Use of Luxury Suite. Subject to availability, Lessee shall, from time to time, provide a Luxury Suite for use by District officials in furtherance of the economic development efforts of the District.

#### ARTICLE IX

#### **INSURANCE AND SUBROGATION**

9.1 Lessee's Insurance.

(a) Lessee shall, during the construction period, (i) maintain in full force and effect, at Lessee's sole cost and expense, insurance against damage or destruction to the DC Arena for the full replacement value thereof on a "risk of direct physical loss" peril basis, including coverage against explosion and collapse, and resultant damage, and sewer backup (but specifically excluding flood and earthquake coverage), in the form of builder's risk coverage and (ii) cause all of its architects and engineers to carry professional liability insurance providing coverage for errors and omissions relating to workmanship and design of the DC Arena.

(b) From and after the Completion Date, Lessee shall maintain in full force and effect, in its name, insurance covering damage or destruction to the DC Arena, Lessee's equipment, and other personal property, improvements and betterments to the DC Arena owned by Lessee for at least ninety percent (90%) of replacement cost thereof on a "risk of direct physical loss" peril basis, including coverage against explosion and collapse, and resultant damage, and sewer backup (but specifically excluding flood and earthquake coverage), subject to deductible limits not to exceed Twenty Five Thousand Dollars (\$25,000). Such insurance shall have an agreed amount endorsement. All of the insurance obtained under this Section 9.1(b) shall name RLA and any other Persons determined by Lessee as additional insureds.

(c) Lessee shall, from and after the Completion Date, maintain in full force and effect, at its expense, (i) statutory workers' compensation coverage and employer's liability coverage in the amount of One Million Dollars (\$1,000,000) per occurrence, or such lesser amount as may satisfy carriers of Lessee's umbrella or excess liability coverage; (ii) business

automobile liability coverage for bodily injury and property damage with a combined single limit per accident of One Million Dollars (\$1,000,000); (iii) "occurrence type" general liability insurance against bodily injury and property damage arising from occurrences on the Arena Land, including in the DC Arena and in the Arena Parking; (iv) until such time as the annual premium attributable thereto shall be more than double the annual premium attributable thereto for the first Rent Year, liquor liability insurance in the amount of One Million Dollars (\$1,000,000) per occurrence; and (v) umbrella or excess liability coverage (in form no less broad than the underlying coverage) to apply in excess of business automobile, liquor, general, contractual and employer's liability limits, in an amount necessary to increase overall coverage to Twenty-Five Million Dollars (\$25,000,000) per occurrence. The insurance required by clause (iii) of this Section 9.1(c) may be written on a commercial general liability policy form to include premises, operations, products and completed operations, personal injury/advertising injury, independent contractors and broad form property damage, and may contain a general aggregate per location of not less than Two Million Dollars (\$2,000,000) and a products/completed operations aggregate of not less than One Million Dollars (\$1,000,000). All of the insurance obtained under this Section 9.1(c) shall name RLA and any other Persons determined by Lessee as additional insureds. Notwithstanding the foregoing, Lessee shall maintain the insurance required under this Section 9.1(c) in amounts not less than those required by any leasehold mortgage, or in the event there is no leasehold mortgage, in amounts not less than those carried by Lessees of similar facilities in metropolitan areas.

#### 9.2 Insurance Requirements.

(a) All policies of insurance required hereunder shall be written by carriers authorized to do business in the District of Columbia and possessing an A- policyholder's rating or better and a minimum Class VII financial size category as listed at the time of issuance by A.M. Best Insurance Reports or a similar rating publication. The aforesaid rating classifications shall be adjusted if and to the extent that the applicable rating publication adjusts its rating categories.

(b) All policies shall provide that they may not be canceled or renewed unless at least thirty (30) days' notice thereof has been provided to the additional insureds. In no event shall Lessee be required to insure for liability limits in excess of coverage which is available at commercially reasonable rates. In the event that tort liability legislation is adopted which makes the limits of liability hereinabove provided in excess of commercially reasonable and prudent limits of liability, such limits will be equitably reduced.

9.3 Certificates. Not later than the date on which coverage is to be provided hereunder, Lessee shall furnish to RLA a certificate evidencing the required coverage.

9.4 Waiver of Subrogation. RLA, District and Lessee agree that all insurance policies against loss or damage to property and business interruption or rent loss shall be endorsed to provide that any release from liability of, or waiver of claim for recovery from,

another Person entered into in writing by the insured thereunder prior to any loss or damage shall not affect the validity of said policy or the right of the insured to recover thereunder. Such insurance policies shall further provide that the insurer waives all rights of subrogation which such insurer might have against the other Person. Without limiting any release or waiver of liability or recovery contained in any other section of this Lease, but rather in confirmation and furtherance thereof, each of the parties to this Lease waives all claims for recovery from every other party to this Lease for any loss or damage to any of its property or damages as a result of business interruption or rent loss insured under valid and collectible insurance policies to the extent of any recovery collectible under such insurance policies.

## ARTICLE X

### **MAINTENANCE OF AND REPAIRS TO THE DC ARENA**

10.1 Responsibility. Lessee shall keep the DC Arena in good order and repair consistent with the standard generally applicable to first-class, multi-purpose arenas. Lessee shall keep and maintain all portions of the Arena Land, including landscaping, and all sidewalks, curbs and passageways adjoining or appurtenant to the same (excluding the Metro Access, which is the sole responsibility of District) in a good and safe repair and condition, free of dirt, rubbish, snow, ice, and unlawful obstructions; provided, however, that District shall provide police and public safety measures as set forth in Section 3.2(e), and Lessee shall have no responsibility for such measures. Lessee shall maintain such reserves for capital improvements and replacements as may be required by any leasehold mortgagee.

10.2 Mechanics' Liens. Lessee shall make prompt payment of all money due and legally owing from it to all Persons doing any work or furnishing any materials or supplies to Lessee or any of its contractors in connection with development, construction, equipping or repair of the DC Arena and shall use its reasonable efforts to cause prompt payment to be made by its contractors to subcontractors. Lessee shall not permit any mechanics' or similar lien to be filed against any portion of the Arena Land or the DC Arena in connection with any labor, materials, equipment or services furnished directly or indirectly to Lessee or any other user or occupant of the DC Arena. Within fifteen (15) Business Days after the filing of any such lien, Lessee shall cause such lien to be fully discharged by (i) payment or the posting of a bond or (ii) the recordation of a release or the order of a court of competent jurisdiction. No provision hereof may be construed as constituting the consent of RLA to any personal liability or the right of any person to file any lien in connection with the furnishing of any labor, materials, equipment or services in connection with the DC Arena or the Arena Land.

## ARTICLE XI

### PUBLIC CHARGES AND TAXES

11.1 Public Charges. From and after the Effective Date until the expiration of the Term, and notwithstanding the fact that fee simple title to the Arena Land may be held by RLA, Lessee covenants and agrees, subject to the terms, conditions and provisions of this Lease, to pay and discharge, before any fine, penalty, interest or cost may be added, all Public Charges. Notwithstanding the provisions of the preceding sentence, Lessee shall have the right to contest the amount or validity, in whole or in part, of any Public Charges by appropriate proceedings; and, if Lessee is prosecuting such proceedings with reasonable diligence, Lessee, to the extent permitted by law, may postpone or defer the payment of such Public Charges so long as such contest shall continue. RLA agrees to join in any such proceedings if required for the prosecution thereof. All Public Charges relating to a fiscal period of a taxing authority, (i) a part of which occurs prior to the Effective Date and part of which occurs after the Effective Date, or (ii) a part of which occurs after the expiration of the Term or earlier termination of this Lease (whether or not such Public Charges are imposed or become a lien upon the Arena Land or become payable prior to the date of expiration of the Term or earlier termination of this Lease), shall be adjusted when paid as between RLA and Lessee as of the Effective Date or as of the date of the expiration of the Term or earlier termination of this Lease, as the case may be, so that Lessee shall pay the same proportion of such Public Charges which the part of such fiscal period during which this Lease was in full force and effect bears to that entire fiscal period, and RLA shall pay the remainder thereof.

11.2 Evidence of Payment of Public Charges. Lessee and RLA, upon request of the other, shall furnish or cause to be furnished to the other official receipts of the appropriate taxing authority or other proof satisfactory to Lessee or RLA, as applicable, evidencing the payment of any Public Charges which were due and payable thirty (30) days or more prior to the date of such request; provided, however, that if Lessee or RLA, as applicable, has contested any of such Public Charges, it shall submit to the other, in lieu of such receipts, evidence of such contest. Promptly after the conclusion of any such contest affecting fiscal periods with respect to which receipts were requested, Lessee or RLA, as applicable, shall advise the other of the results thereof and provide evidence of payment of any amounts due. If payment of Public Charges is required during the pendency of such contest, Lessee or RLA, as applicable, shall provide the other with evidence of such payment.

11.3 Real Estate Taxes. RLA and District confirm that District of Columbia law provides or will provide that no Real Estate Taxes shall be due or payable in connection with the DC Arena, including in connection with the development, construction, ownership, leasehold, financing, use, or operation, of the DC Arena (the "Real Estate Tax Exemption"). If, however, Real Estate Taxes are assessed in connection with the DC Arena, including in connection with or during the development, construction, ownership, leasehold, financing, use, or operation of the DC Arena, RLA shall, during the Term, pay when due any and all such Real Estate Taxes due or payable ("RLA's Tax Obligation"). If, because of any change in the

method of taxation of real estate or personal property, any other or additional tax or assessment is imposed upon the DC Arena as, or wholly or partially in substitution for, or in lieu of, any tax or assessment which would otherwise be included in the definition of Real Estate Taxes, so much of such other or additional tax or assessment as would reasonably equal the amount of Real Estate Taxes which would otherwise be payable by Lessee absent the Real Estate Tax Exemption and RLA's Tax Obligation under the law as it existed immediately prior to enactment of such other or additional tax or assessment shall also be RLA's responsibility and shall be considered to be included in the definition of Real Estate Taxes for all purposes of this Lease. RLA hereby agrees to indemnify, defend and hold Lessee harmless from and against all Real Estate Taxes. In the event RLA fails to pay any Real Estate Taxes when the same shall be due and payable, Lessee shall have the right, but not the obligation, to pay the same or any of them. Upon such payment by Lessee, RLA shall, immediately after proof of such payment has been submitted to RLA by Lessee, and on demand therefor, pay Lessee the amount of any such payment so made by Lessee, with interest thereon at the Interest Rate.

## ARTICLE XII

### **RLA'S RIGHT OF ENTRY AND INSPECTION**

During the Term, RLA shall have the right upon reasonable prior written notice to Lessee to enter into and upon the DC Arena for purposes of inspecting the DC Arena, provided such inspection does not interfere with the construction or operation of the DC Arena, the conducting of an Arena Event, or any other activity occurring at the DC Arena. Said right shall be exercised only during usual business hours except in the case of an emergency. RLA may, upon Lessee's prior approval, which shall not be unreasonably withheld, have a representative of the District accompany RLA during an inspection made hereunder by RLA. Any inspection made under this Article XII shall be subject to Lessee restricting entry to certain areas of the DC Arena for reasons of health, safety or compliance with insurance, or permitting access to certain areas of the DC Arena only if certain protective headgear, clothing or glasses are worn.

## ARTICLE XIII

### **DEFAULT AND REMEDIES**

13.1 Default by Lessee. The occurrence of any one or more of the following events constitutes a default by Lessee under this Lease (a "Lessee Default"):

(a) Failure by Lessee at any time to pay Rent to RLA within ten (10) days after notice of such failure is given to Lessee by RLA;

(b) Failure by Lessee at any time to pay any other sums that this Lease provides are payable by Lessee to RLA within sixty (60) days after notice of such failure is given to

Lessee by RLA; provided, however, that Lessee shall not be in default with respect to payments being contested in good faith for the period of the good faith contest;

(c) Breach of the covenant set forth in Section 8.2, or amendment by Lessee, without the prior written consent of RLA, of Article X or Section 14.03 of either of the Bullets License Agreement or the Capitals License Agreement;

(d) Failure by Lessee to observe or perform any other covenant, agreement, condition or provision of this Lease for a period of more than thirty (30) days after Lessee's receipt of a notice from RLA specifying the failure in reasonable detail; provided, however, that Lessee shall not be in default with respect to matters that cannot be reasonably cured within such thirty (30) day period, so long as Lessee has promptly commenced such cure and diligently proceeds in a reasonable manner to complete the same to RLA's reasonable satisfaction;

(e) Institution of bankruptcy, reorganization, receivership, arrangement, insolvency or liquidation proceedings, or other proceedings for relief under any federal or District bankruptcy law, or similar law for the relief of debtors, by or against Lessee or Lessee's general partner, and, if instituted against Lessee or Lessee's general partner, not dismissed within one hundred eighty (180) days after such institution.

13.2 RLA's Remedies. If a Lessee Default occurs, subject to the rights of leasehold mortgagees set forth in Section 25.6, in addition to any other rights or remedies RLA may have under this Lease, RLA shall have the following rights:

(a) In the event of a Lessee Default under Sections 13.1(a) or 13.1(b) above, RLA may enforce the provisions of this Lease by seeking specific performance or the enforcement of any other appropriate legal or equitable remedy, including money damages and, upon thirty (30) days' notice to Lessee, termination of this Lease.

(b) In the event of a Lessee Default under Sections 13.1(c), 13.1(d) or 13.1(e) which has not been cured within the applicable cure period, RLA may seek to enforce the provisions of this Lease by seeking specific performance or the enforcement of any other appropriate legal or equitable remedy, including money damages; provided, however, that in no event shall RLA have the right to terminate this Lease as a result of a Lessee Default under Sections 13.1(c), 13.1(d) or 13.1(e).

(c) After the time RLA has given notice of a Lessee Default and any applicable grace period provided has expired, if any sums payable by Lessee shall remain due and payable, or after the time for performance by Lessee of any other term, covenant, provision or condition of this Lease, or before the expiration of that time in the event of a bona fide emergency (in which case RLA shall only be required to give such notice as is reasonable and practical under the circumstances), RLA may, at RLA's election (but without obligation), make any payment required of Lessee under this Lease, or perform or comply with any term,



covenant, provision or condition imposed on Lessee under this Lease, as RLA deems advisable. The amount so paid, plus interest on such sums at the Interest Rate, shall be deemed to be additional rent payable by Lessee immediately upon demand. No such payment, performance or observance by RLA shall constitute a waiver of default or of any remedy for default or render RLA liable for any loss or damage resulting from any such act. RLA may, with notice to Lessee and at any time or from time to time, charge and set off any such delinquent sums against amounts, if any, thereafter payable by RLA to Lessee.

**13.3 Default by RLA and/or District.** The occurrence of any one or more of the following events constitutes a default by RLA and/or District, as applicable, under this Lease (an "RLA/District Default"):

(a) Failure by RLA or District at any time to pay any sums that this Lease provides are payable by RLA or District within sixty (60) days after notice of such failure is given to RLA or District, as applicable, by Lessee; provided, however, that RLA and District shall not be in default with respect to payments being contested in good faith for the period of the good faith contest;

(b) Any default by RLA or District under the WMATA Agreement or any other agreement referenced herein;

(c) Failure by RLA or District to observe or perform any other covenant, agreement, condition or provision of this Lease for a period of more than thirty (30) days after receipt by RLA or District, as applicable, of a notice from Lessee specifying the failure in reasonable detail; provided, however, that RLA and District shall not be in default with respect to matters that cannot be reasonably cured within such thirty (30) day period, so long as RLA or District, as applicable, has promptly commenced such cure and diligently proceeds in a reasonable manner to complete the same to Lessee's reasonable satisfaction; or

(d) Institution of bankruptcy, reorganization, receivership, arrangement, insolvency or liquidation proceedings, or other proceedings for relief under any federal or District bankruptcy law, or similar law for the relief of debtors, by or against RLA or District, and, if instituted against RLA or District, not dismissed within one hundred eighty (180) days after such institution.

**13.4 Lessee's Remedies.** If an RLA/District Default occurs, in addition to any other rights or remedies Lessee may have under this Lease, Lessee shall have the following rights:

(a) In the event of an RLA/District Default under Section 13.3(a) above, Lessee may enforce the provisions of this Lease by seeking specific performance or the enforcement of any other appropriate legal or equitable remedy, including money damages.

(b) In the event of an RLA/District Default under Section 13.3(b), 13.3(c) or 13.3(d) which has not been cured within the applicable cure period, Lessee may seek to

enforce the provisions of this Lease by seeking specific performance or the enforcement of any other appropriate legal or equitable remedy, including money damages; provided, however, that in no event shall Lessee have the right to terminate this Lease as a result of an RLA/District Default under Section 13.3(b), 13.3(c) or 13.3(d).

(c) In addition to, and without limiting, any other right or remedy provided for in this Lease, after the time Lessee has given notice and any applicable grace period provided has expired, if any sums payable by RLA or District shall remain due and unpaid, or after the time for performance by RLA or District of any other term, covenant, provision or condition of this Lease, or before the expiration of that time in the event of a bona fide emergency (in which case Lessee shall only be required to give such notice as is reasonable and practical under the circumstances), Lessee may, at Lessee's election (but without obligation), make any payment required of RLA or District under this Lease, which payment shall become a "Lessee Advance," or perform or comply with any term, covenant, provision or condition imposed on RLA or District under this Lease, as Lessee deems advisable. Any Lessee Advance so made plus the cost of such performance or compliance, plus interest on such sums at the Interest Rate, shall be payable by RLA or District, as applicable, upon demand. No such payment, performance or observance by Lessee shall constitute a waiver of default or of any remedy for default or render Lessee liable for any loss or damage resulting from any such act. Lessee may, with notice to RLA and at any time or from time to time, charge and set off Lessee Advances, or any amounts payable by RLA or District to Lessee hereunder and remaining unpaid after the due date thereof, against amounts thereafter payable by Lessee to RLA.

### 13.5 General Provisions.

(a) Except as otherwise expressly provided herein, no right or remedy herein conferred upon, or reserved to, RLA, District or Lessee is intended to be exclusive of any other right or remedy, but each shall be cumulative and in addition to every other right or remedy given herein or now or hereafter existing at law or in equity or by statute; provided, however, that neither RLA, District nor Lessee shall have any right to cancel, rescind or otherwise terminate this Lease due to a breach of this Lease by any other party to this Lease except as otherwise specifically set forth in Section 13.2(a) or 13.4(a).

(b) No waiver by any party to this Lease of any breach of Obligations, agreements or covenants herein shall be a waiver of any subsequent breach of any Obligations, agreements or covenants, nor shall any forbearance by any party to this Lease to seek a remedy for any breach by another party to this Lease be a waiver by such party of any rights or remedies with respect to such or any subsequent breach, nor shall any express waiver by any party to this Lease be deemed to apply to any other existing or subsequent right to remedy any default by another party, nor shall any waiver by any party to this Lease of any default or breach by another party in the performance of any of the covenants or Obligations of such other party be deemed to have been made by the party against which the waiver is sought to be charged unless contained in a writing executed by such party.



(c) In the event that any party to this Lease fails to pay any payment required hereunder when due, then, without limiting any other rights of the non-defaulting party or parties, the defaulting party or parties shall be liable for interest thereon at the Interest Rate from the date that such installment was due until the date paid in full.

13.6 Limitation on Liability. Notwithstanding anything in this Lease to the contrary, except pursuant to the guaranty (subject to the limitations set forth therein) of Lessee's obligations (i) under Article VI to pay Rent and (ii) under Section 8.2, by Washington Sports & Entertainment Limited Partnership ("WSELP") and pursuant to the respective guarantees (subject to the limitations set forth therein) of Lessee's obligations under Section 8.2 by Washington Bullets L.P. ("WBLP") (to the extent such obligations apply to the Bullets) and Washington Capitals L.P. ("WCLP") (to the extent such obligations apply to the Capitals), the liability of Lessee for performance of its Obligations hereunder shall be limited to the assets of Lessee, and none of the partners, Affiliates, members, principals or employees of Lessee shall have any liability whatsoever for performance or nonperformance of Lessee's Obligations hereunder, and District and RLA, each on behalf of itself and its respective successors and assigns, agree to look only to the assets of Lessee or the assets of any Person who succeeds to the rights of Lessee hereunder, and not to any of Lessee's partners, Affiliates, members, principals or employees for performance or satisfaction of any of Lessee's Obligations hereunder, including any judgment relating thereto.

13.7 Waiver of Sovereign Immunity Defense. RLA and District hereby agree that neither will assert the defense of sovereign immunity, including jurisdictional, attachment and execution immunity, from the jurisdiction of any arbitrator or arbitral tribunal or from attachment or execution, in any case, arbitration or other proceeding arising from or relating to this Lease.

#### ARTICLE XIV

#### **SURRENDER OF DC ARENA**

14.1 General. Upon the expiration or termination of this Lease (by lapse of time or otherwise) Lessee shall peaceably deliver up and surrender the Arena Land and the DC Arena to RLA in good order and repair, except for ordinary wear and tear, and except as otherwise provided in this Lease; provided, however, that nothing contained herein shall be construed as an obligation by Lessee to repair the DC Arena prior to such surrender except to the extent that such an Obligation is expressly imposed upon Lessee by this Lease. Lessee shall surrender to RLA all keys for the DC Arena at the place then fixed for the receipt of notices by RLA, and shall notify RLA in writing of all combinations of locks, safes and vaults, if any. Lessee's obligations to observe and perform the covenants set forth in this Article XIV shall survive the expiration of the Term or earlier termination of this Lease (by lapse of time or otherwise).

14.2 Lessee's Property. Upon the expiration of the Term or earlier termination of this Lease (by lapse of time or otherwise), Lessee may remove all personal property and trade fixtures ("Lessee's Property") which are owned by Lessee and, in such event, Lessee shall repair at Lessee's expense any damage caused to the DC Arena by the removal of the Lessee's Property. If Lessee fails to remove any of Lessee's Property, such Lessee's Property shall be abandoned by Lessee. RLA may, at its option, (a) cause Lessee's Property which is abandoned to be removed at no expense to Lessee, (b) sell all or any part of such Lessee's Property at public or private sale, without notice to Lessee, or (c) declare that title to such Lessee's Property shall have passed to RLA.

## ARTICLE XV

### **DAMAGE TO DC ARENA**

If any Property Damage shall occur, all proceeds (less the actual cost, fees and expenses, if any, incurred by Lessee in connection with adjustment of the loss) from insurance policies carried pursuant to the requirements of this Lease, or other recoveries for loss to the DC Arena occasioned by the damage, destruction or diminution of the DC Arena, shall be paid to Lessee, and, subject to any requirements of any leasehold mortgagees, Lessee shall apply such proceeds to promptly restore, repair, replace and rebuild the DC Arena as nearly as reasonably practicable to its condition immediately prior to such damage or destruction. Such restoration, repairs, replacements, rebuilding or alterations shall be commenced promptly after receipt of the proceeds from insurance policies carried pursuant to the requirements of this Lease and prosecuted with reasonable diligence, unavoidable delays beyond Lessee's reasonable control excepted. During the period of restoration (or such longer period as is reasonably necessary to allow Lessee to make suitable alternate arrangements) Lessee shall have the right to use an alternate site for Arena Events.

## ARTICLE XVI

### **MAINTENANCE OF GOOD STANDING IN NBA AND NHL**

As long as Lessee is a tenant of the DC Arena pursuant to this Lease, Lessee shall cause (i) WBLP to agree to maintain a basketball team in good standing as a member of the NBA, and (ii) WCLP to agree to maintain a hockey team in good standing as a member of the NHL.

## ARTICLE XVII

### **ENVIRONMENTAL INDEMNIFICATION**

17.1 Indemnification by RLA and District. RLA and District, jointly and severally, at their sole cost and expense, hereby indemnify and shall defend (with counsel acceptable to Lessee) and hold harmless Lessee, its partners, members, employees and agents, and any

successors to Lessee's interest under the Lease, together with such successors' partners, members, employees and agents, from and against any and all claims, demands, losses, damages, liabilities, fines, penalties, charges, administrative and judicial proceedings and orders, judgments, and enforcement actions of any kind, and all costs and expenses incurred in connection therewith, including remediation costs, attorneys' fees and costs of defense, arising directly or indirectly, in whole or in part, out of the following conditions existing as of the Effective Date: (a)(i) the presence on or under the Arena Land of any Hazardous Substances, or (ii) any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping (including into the air inside or outside the DC Arena), leaching, dumping, disposing or releasing into the environment (including the abandonment or discarding of barrels, containers, and other receptacles containing any Hazardous Substance) (collectively, a "Discharge") of any Hazardous Substances on, under or from the Arena Land; (b) any activity carried on or undertaken on or off the Arena Land, whether prior to or during the Term, and whether by RLA, District, or any of their predecessors in title to the Arena Land or any portion thereof or any employees, agents, contractors or subcontractors of RLA, District, or any such predecessor in title, or any third persons at any time occupying or present on the Arena Land in connection with the handling, treatment, removal, storage, decontamination, cleanup, transport or disposal of any Hazardous Substances at any time located or present on or under the Arena Land; or (c) District's or RLA's ownership of the Arena Land or performance of its obligations hereunder; provided, however, that the indemnification in this Section 17.1 shall not extend to actions of Lessee or any employees, agents, contractors or subcontractors of Lessee. The foregoing indemnity shall further apply to any residual contamination on or under the Arena Land, or affecting any natural resources, and to any contamination of any property or natural resources arising in connection with the generation, use, handling, storage, transport or disposal of any such Hazardous Substances, and irrespective of whether any of such activities were or will be undertaken in accordance with applicable laws, regulations, codes and ordinances or Environmental Laws.

17.2 Covenants. Lessee shall comply with the following covenants:

- (a) During the Term and any other time during which Lessee uses or is in possession of the DC Arena, Lessee shall not permit: (i) any Hazardous Substance, except products or substances used in compliance with applicable law in the ordinary course of Lessee's business (including the construction and operation of the DC Arena) to be brought, taken, transported, handled, manufactured, refined, treated, stored, used, generated, emitted, released, discharged or disposed of upon, about, beneath or from the DC Arena or the Arena Land, (ii) any violation of any Environmental Law in connection with the DC Arena or the Arena Land; or (iii) any lien or other encumbrance with respect to the DC Arena or the Arena Land to be imposed pursuant to Section 107(f) of the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. Section 9607(f), or any similar statute.

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- (b) Lessee shall obtain and maintain in full force and effect and comply with all permits and licenses required under any Environmental Law in connection with any use of or activity in the DC Arena or on the Arena Land.

## ARTICLE XVIII

### ASSIGNMENTS

18.1 Assignment or Sublease by Lessee. Except as otherwise expressly set forth in this Article XVIII and Section 25.6, Lessee shall not assign, transfer or sublease all, or substantially all, of the leasehold estate created by this Lease and/or the DC Arena, with or without consideration, to any Person, without the prior written consent of RLA, which consent shall not be unreasonably withheld, conditioned or delayed. RLA shall be entitled to require, except as otherwise provided in this Article XVIII and Section 25.6, as conditions to its consent to an assignment, transfer or sublease of all, or substantially all, of the leasehold estate created by this Lease, of the Arena Land and/or of the DC Arena, that:

- (a) Any proposed transferee or sublessee shall have the qualifications and financial responsibility, as reasonably determined by RLA, necessary and adequate to fulfill the Obligations undertaken in this Lease by Lessee;
- (b) Any proposed transferee or sublessee, by instrument in writing satisfactory to RLA and in form recordable among the land records of the District of Columbia, shall, for itself and its successors and assigns, and expressly for the benefit of RLA, have expressly assumed all of the Obligations of Lessee under this Lease and agreed to be subject to all the conditions and restrictions to which Lessee is subject; provided, however, that if any transferee of, or any other successor in interest whatsoever to, the leasehold estate of Lessee in the Arena Land created under this Lease, or any part thereof, shall, whatever the reason, have failed to assume or to agree to assume such Obligations, conditions or restrictions, that fact shall not (unless and only to the extent otherwise specifically provided in this Article XVIII and Section 25.6 or agreed to in writing by RLA) relieve or except such transferee or successor of or from such Obligations, conditions, or restrictions, or deprive or limit RLA of or with respect to any of its rights, remedies or controls with respect to the leasehold estate in the Arena Land or the construction of the DC Arena; it being the intent of this, together with other provisions of this Lease, that (to the fullest extent permitted by law and equity and excepting only in the manner and to the extent specifically provided otherwise in this Article XVIII and Section 25.6) no transfer of, or change with respect to, ownership in the leasehold estate in the Arena Land or any part thereof, or interest therein, however consummated or occurring, and whether voluntary or involuntary, shall operate, legally or practically, to deprive or limit RLA of or with respect to any rights, remedies or controls provided in or resulting from this Lease with respect to the

leasehold estate in the Arena Land and the construction of the DC Arena that RLA would have had, had there been no such transfer or change;

- (c) There shall be submitted to RLA all instruments and other legal documents involved in effecting any such transfer; and
- (d) Lessee and its transferee or sublessee shall comply with such other reasonable conditions as RLA may find reasonably desirable in order to achieve and safeguard the purposes of the Act and the Plan.

Notwithstanding the foregoing, an assignment, transfer or sublease may be made without RLA's or District's consent if (a) the proposed assignee or sublessee shall have acquired the professional basketball franchise now held by the Washington Bullets L.P., in accordance with all basketball Rules and Regulations and the professional hockey franchise now held by the Washington Capitals L.P., in accordance with all hockey Rules and Regulations (or shall have acquired the legal right to require such franchises to satisfy the requirements contained in this Lease); and (b) in the event of an assignment, the assignee shall assume all of Lessee's Obligations under this Lease and agree to be bound by this Lease, and, in the event of a sublease, the sublessee shall agree to be bound by, and to perform, all of Lessee's Obligations under this Lease during the term of the sublease other than the Obligation to pay Rent. Upon the assignment of this Lease in accordance with this Section 18.1, the liability of Lessee shall cease with respect to liabilities accruing from and after the effective date of such assignment. Lessee shall use its best efforts to provide not less than thirty (30) days prior written notice to RLA of any such assignment, transfer or sublease; provided, however, that failure to give such notice shall in no way affect the validity of such assignment, transfer or sublease. Nothing in this Section 18.1 shall prevent or preclude Lessee from (and Lessee shall not be required to give notice prior to) granting a security interest and lien to any Person, subject to RLA's rights hereunder, with respect to Lessee's estates and interests created by, or existing pursuant to, this Lease and all documents relating thereto, or with respect to the rents, issues, and profits inuring or to inure to Lessee hereunder.

#### 18.2 Restructuring of Lessee.

(a) Lessee may cause the assets of Lessee to be contributed or otherwise transferred to a corporation, limited liability company, partnership or other entity which is an Affiliate of Lessee as constituted immediately prior to said transaction, and to assign this Lease in connection with any such transfer, without RLA's or District's consent, provided that Lessee shall promptly notify RLA of any such transaction and deliver to RLA a copy of the instrument whereby the assignee assumes and agrees to perform all Obligations of Lessee under this Lease from and after the date of the assignment, and provided further that WSELP shall remain liable under its guaranty (subject to the limitations set forth therein) of Lessee's obligations (i) under Article VI to pay Rent and (ii) under Section 8.2 and WBLP and WCLP shall remain liable under their respective guarantees (subject to the limitations set forth

therein) of Lessee's obligations under Section 8.2, to the extent such obligations apply to the Bullets and the Capitals, respectively. Upon such transfer or assignment, the liability of Lessee shall cease with respect to liabilities accruing from and after the effective date of such assignment.

(b) Lessee shall promptly notify RLA of any change in the ownership, or any other act or transaction, resulting in a change of ownership of the partnership interests in Lessee.

18.3 Assignment by RLA and/or District. RLA shall not have the right to assign or transfer its rights under and interest in this Lease, in whole or in part, except to District or an agency of District; provided, however, RLA shall have the right to pledge any Rent or other sums due hereunder. District shall not have the right to assign, delegate, or transfer its rights or Obligations under or its interest in this Lease (or increase burdens on Lessee under this Lease, diminish Lessee's rights under this Lease, increase rights of RLA or District under this Lease, or decrease the Obligations of RLA or District under this Lease), in whole or in part.

18.4 Assignees. Upon any assignment or sublease pursuant to this Article XVIII, Lessee and any such assignee or sublessee, in addition to any other consideration that may pass between them in connection therewith, shall be deemed to have covenanted not to make any further assignment or sublease contrary to the provisions of this Article XVIII. If any assignee of this Lease is not a limited partnership, the representations and warranties by Lessee set forth in Article XXIII shall be appropriately modified to take into account the nature of the assignee.

## ARTICLE XIX

### EMINENT DOMAIN

19.1 Termination for Condemnation. In the event of Condemnation of the whole or any part of the Arena Land or the DC Arena or both, except as set forth in Section 19.4, Lessee shall have the right to terminate this Lease as of the date stated by Lessee in a notice delivered to RLA prior to the first anniversary of the Condemnation. If this Lease shall terminate pursuant to the provisions of this Section 19.1, all rights, obligations and liabilities of the parties hereto shall end as of the date stated by Lessee, without prejudice to any rights of the parties which have accrued prior to the effective date of such termination. Notwithstanding the foregoing sentence, if this Lease terminates because of a Condemnation, regardless of whether the Lease terminates pursuant to the provisions of this Section 19.1 or as a matter of law, this Article XIX shall survive such termination and the rights and duties of the parties to this Lease shall be as set forth in this Article XIX.

#### 19.2 Allocation of Award.

(a) In the event the Arena Land, the DC Arena, or any part thereof shall be acquired by Condemnation, Lessee shall be entitled to receive, and there shall be paid to



EXHIBIT 1.1

Lessee, the portion of any award for or on account of such Condemnation which is attributable to Lessee's ownership of the DC Arena and leasehold interest in the Arena Land, and RLA shall be entitled to, and there shall be paid to RLA, the portion of any award for or on account of such Condemnation which is attributable to RLA's fee simple interest in the Arena Land; provided, however, that (i) if this Lease is terminated pursuant to Section 19.1 and the portion of the award attributable to the DC Arena is insufficient to repay Lessee's leasehold loans, then Lessee shall be entitled to receive, and RLA shall pay to Lessee, the portion of the award attributable to RLA's fee simple interest in the Arena Land to the extent necessary to repay Lessee's leasehold loans, and (ii) if this Lease is not terminated pursuant to Section 19.1 and the portion of the award attributable to the DC Arena is insufficient to restore the DC Arena to an arena of substantially similar character and economic feasibility in all material respects to the DC Arena immediately prior to the Condemnation, then Lessee shall be entitled to receive, and RLA shall pay to Lessee, the portion of the award attributable to RLA's fee simple interest in the Arena Land to the extent necessary to so restore the DC Arena.

(b) Lessee shall have the right to be represented by counsel of its choosing in any Condemnation proceedings.

19.3 Adjustment of Rent and Public Charges if Property Is Partially Condemned. In the event a part of the Arena Land shall be acquired by Condemnation and this Lease is not terminated pursuant to Section 19.1, then the Rent and the Public Charges in respect of the affected part of the Arena Land shall be prorated and paid by Lessee for the period ending on the effective date of the Condemnation; and, from such effective date, the Rent and the Public Charges for the remainder of the Arena Land shall be reduced in the same proportion that the area of the part of the Arena Land so condemned bears to the total area of the Arena Land prior to such Condemnation. However, if the amount of such reduction of the Rent is inadequate, as determined by taking into account the adverse economic impact on Lessee of Lessee's inability to utilize the part of the Arena Land acquired by Condemnation, the Rent shall be equitably adjusted.

19.4 Temporary Condemnation. This Lease shall not terminate by reason of a temporary Condemnation of the Arena Land or the DC Arena, or any part thereof, for public use, except as provided in this Section 19.4. In the event of such a temporary Condemnation, the rights and Obligations of the parties under this Lease shall continue in full force and effect, except that:

(a) any award for such temporary Condemnation, which is attributable to Lessee's ownership of the DC Arena and leasehold interest created by this Lease or to RLA's interest in the Arena Land, shall be paid to Lessee;

(b) upon the termination of such temporary Condemnation, Lessee shall restore the affected portion of the Arena Land and/or the DC Arena to a state substantially equivalent to that which the same was in immediately prior to such temporary Condemnation; and



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(c) during any period of a temporary Condemnation (or such longer period as is reasonably necessary to allow Lessee to make suitable alternate arrangements), Lessee shall not be required to perform its Obligations hereunder (including its Obligations under Section 8.2) and shall be entitled to make arrangements for an alternate site for Arena Events.

Notwithstanding the foregoing, Lessee shall have the right to terminate this Lease as of the last day of any calendar month after the date of the temporary Condemnation if the remaining period (measured as of the date on which Lessee's termination of this Lease is to be effective) of such temporary Condemnation is reasonably anticipated by Lessee to be more than one hundred twenty (120) days during a Basketball Season, more than one hundred twenty (120) days during a Hockey Season or a total of one hundred eighty (180) days, as the case may be.

## ARTICLE XX

### **COMPLIANCE WITH LEGAL REQUIREMENTS**

Lessee shall construct and operate the DC Arena in compliance with (i) all applicable federal and District of Columbia laws, statutes, ordinances, regulations and rules, including the Americans with Disabilities Act of 1990, as amended (codified at 42 U.S.C. Sections 12.101-12.213 and 47 U.S.C. Sections 225, 611), the Human Rights Act of the District of Columbia, as amended (codified at Section 1-2501 of the District of Columbia Code), and the First Source Employment Act of the District of Columbia, as amended (codified at Section 1-1161 et seq. of the District of Columbia Code), (ii) an affirmative action plan which shall be solely comprised of (A) the First Source Employment Agreement with the District of Columbia Department of Employment Services dated as of August 1, 1995 and (B) a Memorandum of Understanding with the Minority Business Opportunity Commission dated as of August 1, 1995, and (iii) the MCI Center Community Participation Program submitted to RLA by letter dated August 16, 1995.

## ARTICLE XXI

### **EXTERIOR SIGNAGE**

Subject to the limitations imposed by District of Columbia law, Lessee may design and erect on the outside of the DC Arena, at its own expense reasonably appropriate signage, subject to (i) the approval of RLA, which approval shall not be unreasonably withheld, delayed or conditioned, (such approval shall be deemed given if RLA has not denied such approval within fifteen (15) Business Days) and, (ii) if required, the approval of the National Capital Planning Commission. RLA and District shall cooperate with Lessee in obtaining all necessary permits and approvals, governmental or otherwise, for the erection or maintenance of the signs and shall waive any and all costs in connection with all such permits and approvals.

**ARTICLE XXII****CONDITIONS**

Lessee's Obligation to commence paying Rent hereunder is conditioned upon the satisfaction of each of the following conditions:

- (a) All Site Work and all of RLA's and District's other covenants, agreements and Obligations hereunder shall have been performed or satisfied by RLA or District in all material respects by the date on which such covenants, agreements and Obligations are required to be performed or satisfied (or by such later date as is reasonable provided District and RLA diligently pursue to completion such performance or satisfaction), or shall have been waived in writing by Lessee.
- (b) All representations and warranties of RLA and District as set forth in Article XXIV shall be true, accurate and complete when made and as of the Rent Commencement Date.
- (c) The Metro Access shall be fully operational and a mass transportation plan for serving the DC Arena by public (i.e. Metrobus) and private buses, and by rail rapid transit (i.e. Metrorail) shall have been approved by Lessee in its reasonable discretion.
- (d) District shall have enacted the legislation described in Section 3.2(g).

**ARTICLE XXIII****REPRESENTATIONS AND COVENANT OF LESSEE**

Lessee represents and warrants as follows, as of the date hereof and at all times from and after the date hereof until the expiration or termination of this Lease:

23.1 Valid Existence. Lessee is a limited partnership duly organized, validly existing, and in good standing under the laws of District. Lessee has full partnership power to own its property and conduct its business as presently conducted. The general partner of Lessee is Washington Sports & Entertainment, Inc. ("WSEI"), a corporation duly incorporated and validly existing and in good standing under the laws of the District of Columbia. WSEI has full corporate power to own its property.

23.2 Power No Limitation on Ability to Perform. Lessee has full partnership power and authority to execute and deliver this Lease and to perform all of its Obligations under this Lease. Neither Lessee's certificate of limited partnership, nor any agreement, instrument, or law by which Lessee or any of its assets is bound, prohibits Lessee from entering into, or performing its Obligations to be performed under, this Lease and each document, agreement and instrument executed and to be executed by Lessee in connection herewith and all

transactions contemplated hereby and thereby. Lessee needs no consents, authorizations or approvals or other actions which have not been duly given, and is not required to give notices or make filings with any governmental authority, regulatory body or other Person in connection with the execution and delivery of this Lease or any other agreement, document or instrument executed and delivered by Lessee in connection herewith which have not been duly given or filed.

23.3 Valid Execution. The execution and delivery of this Lease by Lessee has been duly and validly authorized by all necessary partnership action on behalf of Lessee. This Lease and all other agreements, documents and instruments executed and delivered by Lessee in connection herewith are, and each other agreement, document or instrument to be executed and delivered by Lessee in connection herewith when executed and delivered on behalf of Lessee will be, valid and binding obligations of Lessee.

23.4 Defaults. The execution, delivery and performance of this Lease and of each agreement, document and instrument executed and delivered by Lessee in connection herewith do not and will not violate or result in a violation of, contravene or conflict with, or constitute a default under, (i) any agreement, document or instrument to which Lessee is a party, (ii) any law, statute, ordinance or regulation applicable to Lessee, or (iii) the certificate of limited partnership of Lessee.

23.5 Financial Capacity and Notices of Default Under Leasehold Mortgages. Lessee has sufficient net worth to perform its obligations under this Lease, except that Lessee intends to obtain financing and must consummate such financing in order to have the liquidity required to construct the DC Arena and perform its other obligations under this Lease. Lessee shall inform RLA in writing, not later than thirty (30) Business Days, following any material adverse change in its financial condition that would prevent Lessee from performing its obligations under this Lease. Lessee shall provide RLA with a copy of any written notice of default received from any leasehold mortgagee promptly following receipt thereof.

23.6 Sole Purpose Nature. Lessee has not conducted and is not conducting any business other than the development, financing, construction, use, operation and maintenance of the DC Arena.

#### ARTICLE XXIV

#### **REPRESENTATIONS BY RLA AND DISTRICT**

RLA and/or District, as applicable, represent and warrant as follows, as of the date hereof and at all times from and after the date hereof until the expiration or termination of this Lease:

24.1 Valid Existence. RLA is an instrumentality of District, and a body corporate of perpetual duration, duly organized, validly existing and in good standing under the laws of the District of Columbia. RLA has full power to own its property and conduct its business as presently conducted.

24.2 Power; No Limitation on Ability to Perform. RLA and District have full power and authority to execute and deliver this Lease and to perform all of their respective Obligations under this Lease. Neither RLA's articles of incorporation nor any agreement, instrument or law by which RLA or District or any of their respective assets are bound, prohibit RLA or District from entering into, or performing their respective Obligations to be performed under, this Lease and each document, agreement and instrument executed and to be executed by RLA or District in connection herewith, and all transactions contemplated hereby and thereby. RLA and District need no consents, authorizations, approvals or other actions which have not been duly obtained, and are not required to give notices which have not been duly given or make filings with any governmental authority, regulatory body or other Person in connection with their execution and delivery of this Lease or any other agreement, document or instrument executed and delivered by RLA or District in connection herewith which have not been duly filed.

24.3 Valid Execution. The execution and delivery of this Lease by RLA and District have been duly and validly authorized by all necessary action on behalf of RLA and District. This Lease and all other agreements, documents and instruments executed and delivered by RLA and/or District, as applicable, in connection herewith are, and each other agreement, document or instrument to be executed and delivered by RLA and/or District, as applicable, in connection herewith when executed and delivered will be, valid and binding obligations of RLA and/or District, as applicable.

24.4 Defaults. The execution, delivery and performance of this Lease and each agreement, document and instrument executed and delivered and to be executed and delivered by RLA and/or District in connection herewith (a) do not and will not violate or result in a violation of, contravene or conflict with, or constitute a default under, (i) any agreement, document or instrument to which RLA or District is a party, (ii) any law, statute, ordinance or regulation applicable to RLA or District, or (iii) the articles of incorporation of RLA, and (b) do not and will not result in the creation or imposition of any lien or other encumbrance upon the Arena Land.

24.5 Environmental Representation. RLA and District have no knowledge as to any action by themselves or others of any natural or artificial conditions upon the Arena Land (including the presence of Hazardous Substances), or of any other fact, circumstance or condition, environmental or otherwise, which would cause a violation of any Environmental Laws (or that there is any violation of the Environmental Laws presently in effect), or which may give rise to any common law or legal liability under the Environmental Laws, or otherwise form the basis of any Action, notice of violation, study or investigation.

24.6 Title. RLA owns a good and marketable fee title interest in the Arena Land insurable at standard rates and free and clear of all liens and encumbrances thereon except for matters disclosed to, and approved by, Lessee in writing. RLA is familiar with and responsible for the Arena Land and has required or will in a timely manner require all necessary inspections and testing in connection therewith, and has determined that the Arena Land is suitable for construction of the DC Arena and that construction thereof is permitted under all applicable laws, statutes, ordinances or regulations of any governmental authority. No subsurface or other site condition on the Arena Land discovered by RLA or by any other Person shall relieve RLA of its Obligations hereunder or extend the time for performance thereof or give rise to any claim against or obligation on the part of Lessee.

## ARTICLE XXV

### **PRIORITY OF LEASE; NONDISTURBANCE**

25.1 Priority of Lease. This Lease and all rights of Lessee hereunder shall be prior to any leasehold deeds of trust, collateral assignments and other documents executed in connection therewith securing leasehold loans now or hereafter encumbering all or any part of the DC Arena.

25.2 Protection of Concessionaires. RLA and District hereby covenant and agree that in the event this Lease is terminated, RLA and District will not disturb the rights of any Concessionaire of the DC Arena so long as such Concessionaire complies with all of the material terms of its concessions contract, and RLA and District, in the exercise of their rights or remedies under this Lease, shall not deprive any Concessionaire of possession or occupancy, or the right of possession or occupancy, of the concession areas and facilities during the term of its concession contract or join any such Concessionaire as a party in any action or proceeding to enforce or terminate this Lease or obtain possession of the concession areas and facilities for any reason. The provisions of this Section 25.2 shall be self-executing but RLA and District, upon request by Lessee or any Concessionaire, agree to execute additional documentation to effectuate the provisions of this Section 25.2.

25.3 Protection of Bullets, Capitals and Other Licensees. RLA and District hereby covenant and agree that in the event this Lease is terminated, RLA and District will not disturb the rights of (i) the Bullets, (ii) the Capitals, or (iii) any other organized sports team holding a sublease or license from Lessee under which said team plays all or substantially all of its home games at the DC Arena (each, a "Team Licensee") so long as such Team Licensee complies with all of the material terms of its sublease or license, and RLA and District in the exercise of their rights and remedies under this Lease shall not deprive any Team Licensee of possession or occupancy, or the right of possession or occupancy, of the area of the DC Arena covered by its sublease or license during the term thereof or join any Team Licensee as a party in any action or proceeding to enforce or terminate this Lease or obtain possession of said area for any reason. The provisions of this Section 25.3 shall be

self-executing but RLA and District, upon request by Lessee or any Team Licensee, agree to execute additional documentation to effectuate the provisions of this Section 25.3.

**25.4 Protection of Sublessees.** RLA and District hereby covenant and agree that in the event this Lease is terminated, RLA and District will not disturb the rights of any sublessee or licensee hereunder, so long as such sublessee or licensee complies with all of the material terms of its sublease or license, and RLA and District in the exercise of their rights and remedies under this Lease shall not deprive any such sublessee or licensee of possession or occupancy, or the right of possession or occupancy, of the area of the DC Arena covered by its sublease or license during the term thereof or join any such sublessee or licensee as a party in any action or proceeding to enforce or terminate this Lease or obtain possession of said area for any reason. The provisions of this Section 25.4 shall be self-executing but RLA and District, upon request by Lessee or any sublessee or licensee, agree to execute additional documentation to effectuate the provisions of this Section 25.4.

**25.5 Protection of Arena Advertisers.** RLA and District hereby covenant and agree that in the event this Lease is terminated, RLA and District will not disturb the rights of any Arena Advertiser who has an advertising contract so long as such Arena Advertiser complies with all of the material terms of its advertising contract, and RLA and District, in the exercise of their rights and remedies under this Lease, shall not deprive any Arena Advertiser of any advertising in the DC Arena to which it is entitled under the terms of its advertising contract. The provisions of this Section 25.4 shall be self-executing, but RLA and District, upon request by Lessee or such Arena Advertiser, agree to execute additional documentation to effectuate the provisions of this Section 25.4.

**25.6 Protection of Leasehold Mortgagees.**

(a) Lessee shall have the right from time to time and without District's or RLA's consent to mortgage or otherwise encumber this Lease or the interest of Lessee hereunder, in whole or in part, by leasehold deeds of trust, and to assign, hypothecate or pledge the same to leasehold mortgagees as security for any debt.

(b) The granting of leasehold deeds of trust against the Arena Land and the DC Arena or the exercise of any rights of the leasehold mortgagees under such leasehold deeds of trust shall not operate to make the leasehold mortgagee thereunder liable for performance of any of the covenants or Obligations of Lessee under this Lease. Any such leasehold deeds of trust may be increased by additional leasehold deeds of trust and agreements consolidating the liens of such deeds of trust. Any such leasehold deeds of trust may be permanent or temporary and may be replaced, extended, increased, refinanced, modified, consolidated or renewed. In any and all events any such leasehold deeds of trust shall not encumber the fee estate of RLA and any leasehold deeds of trust shall be subject to the provisions of this Lease.

(c) As to any such leasehold deeds of trust, RLA and District consent to a provision therein, at the option of the leasehold mortgagee and to the extent agreed by Lessee.



(i) for an absolute or conditional assignment to the leasehold mortgagee of amounts, including license payments, rents, subrents, Concessionaire's payments and advertising payments, due or to become due, (ii) for an assignment to the leasehold mortgagee of Lessee's share of the net proceeds from any award or other compensation resulting from a total or partial Condemnation as set forth in Article XIX of this Lease, (iii) for an assignment and conveyance to the leasehold mortgagee of Lessee's right, title and interest in and to the Arena Land, subject to the rights of RLA therein upon expiration of the Term or earlier termination of this Lease (whether by lapse of time or otherwise), (iv) for the entry by the leasehold mortgagee into the DC Arena during business hours, without notice to RLA, District or Lessee, to view the state of the DC Arena, (v) that a default by Lessee under this Lease shall constitute a default under the leasehold deed of trust, (vi) for an assignment to the leasehold mortgagee of Lessee's right, if any, to terminate, cancel, modify, change, supplement, alter or amend the Lease, (vii) for an assignment to the leasehold mortgagee of the ownership interests in Lessee and Lessee's Affiliates owned by Lessee's partners, and (viii) effective upon any default in any such leasehold deed of trust, (A) for the foreclosure of the leasehold deed of trust pursuant to a power of sale, by judicial proceedings or other lawful means and the subsequent sale of the leasehold estate to the purchaser at the foreclosure sale and a sale by such purchaser and/or a sale by any subsequent purchaser, (B) for the appointment of a receiver, irrespective of whether the leasehold mortgagee accelerates the maturity of all indebtedness secured by the leasehold deed of trust, (C) for the right of the leasehold mortgagee or the receiver to enter and take possession of the DC Arena, to manage and operate the same and to collect the license payments, rents, subrents, Concessionaire's payments and advertising payments, issues and profits therefrom and to cure any default under the leasehold deed of trust or any Lessee Default, and (D) for an assignment of Lessee's right, title and interest in and to the premiums for or dividends upon any insurance provided for the benefit of any leasehold mortgagee or required by the terms of this Lease, as well as in all refunds or rebates of Public Charges upon or other charges against the Arena Land and/or the DC Arena, whether paid or to be paid.

(d) A written notice specifying the name and address of the leasehold mortgagees to which notices shall be sent shall be delivered to RLA and District. For the benefit of any leasehold mortgagees who shall have become entitled to notice as provided in Section 25.6(e), RLA and District agree not to accept a voluntary surrender, termination or modification of this Lease at any time while such leasehold deeds of trust shall remain a lien on Lessee's leasehold estate. RLA, District and Lessee agree for the benefit of any such leasehold mortgagee that, so long as any such leasehold deed of trust shall remain a lien on Lessee's leasehold estate, RLA, District and Lessee will not subordinate this Lease to any deed of trust which may hereafter be placed on the fee of the Arena Land or amend or alter any terms or provisions of this Lease without securing the written consent thereto of such leasehold mortgagees. No sale or transfer of the Arena Land or any part thereof shall terminate this Lease by merger or otherwise so long as the lien of any leasehold deed of trust remains undischarged, but the foregoing shall not be construed to prohibit any sale or transfer of RLA's fee interest in the Arena Land which is permitted under the terms of Section 18.3.



(e) No notice of a Lessee Default shall be deemed to have been given by RLA or District to Lessee unless and until a copy thereof shall have been so given (by personal delivery or by certified or registered mail, return receipt requested) to each leasehold mortgagee of whom RLA and District have been notified (by delivery to RLA and District of the notice described in Section 25.6(d) prior to RLA's or District's issuance of such notice of default). Lessee irrevocably directs that RLA and District accept, and RLA and District agree to accept, performance and compliance by any such leasehold mortgagee of and with any of the terms of this Lease with the same force and effect as though kept, observed or performed by Lessee. Nothing contained herein shall be construed as imposing any obligation upon any such leasehold mortgagee to so perform or comply on behalf of Lessee. In the event that Lessee receives notice from RLA or District of a Lessee Default and such Lessee Default is not cured by Lessee pursuant to the provisions of this Lease, RLA and District shall, prior to commencing any judicial proceedings, including summary dispossession proceedings, or taking any other action to obtain possession of the Arena Land and DC Arena, in addition to giving the notice to the leasehold mortgagee provided pursuant to the first sentence of this Section 25.6(e), give a second notice of the failure to cure on the part of Lessee to the leasehold mortgagee at the expiration of the period within which Lessee may cure as set forth in this Lease, and the leasehold mortgagee may proceed to cure any such failure. In the event that breach or default on the part of Lessee arises by virtue of a failure to pay Rent, or Public Charges when due, and such breach is not cured by Lessee pursuant to the provisions of this Lease, the leasehold mortgagee may cure such breach by payment thereof, with interest thereon at the Interest Rate, within thirty (30) days after the receipt of the second notice herein set forth.

(f) A leasehold mortgagee has the unrestricted right to take this Lease by assignment in lieu of foreclosure and to sell it either after foreclosure or after taking the assignment, all without the consent of RLA or District.

(g) A leasehold mortgagee, at any time before the rights of Lessee shall have been forfeited to RLA pursuant to Section 13.2, may, at its option, do any act or thing necessary and proper hereunder to prevent such forfeiture, and any act or thing so done shall be as effective to prevent such forfeiture of Lessee's rights hereunder as if done by Lessee, and such leasehold deed of trust may provide that, as between any such leasehold mortgagee and Lessee, such leasehold mortgagee on making good any Lessee Default shall thereby be subrogated to any and all rights of Lessee under the provisions of this Lease.

(h) Any party, including a leasehold mortgagee or the assignee or designee of such leasehold mortgagee, that becomes the owner of or acquires any interest in this Lease pursuant to foreclosure and sale or by assignment, may sell, assign, transfer or otherwise dispose of this Lease or such new lease or its interest in this Lease or in such new lease without the necessity of obtaining the prior consent of RLA or District.

(i) Any right or remedy which is expressly granted in this Lease allowing Lessee to terminate this Lease shall be conditioned on the approval by all leasehold mortgagees of such termination.

(j) In order to enable Lessee to secure financing for the purchase of fixtures, equipment, and other personalty to be located on the Arena Land or in the DC Arena, whether by security agreement and financing statement, chattel mortgage or other form of security instrument. RLA will from time to time, upon request, execute and deliver a waiver of its "landlord's" or other statutory or common law liens securing payment of Rent or performance of Lessee's other covenants under this Lease.

ARTICLE XXVI

**ESTOPPEL CERTIFICATES**

Each party to this Lease agrees that, at any time and from time to time upon not less than ten (10) Business Days' prior request by any other party to this Lease or any leasehold mortgagee, it will execute, acknowledge and deliver to the requesting party a statement in writing certifying (a) that this Lease is unmodified and in full force and effect (or, if there have been modifications, that the same are in full force and effect as modified and identifying the modifications), (b) the dates to which the Rent and other charges have been paid, and (c) that, so far as it knows, the requesting party (or the Lessee in the case of a request by a leasehold mortgagee) is not in default under any provisions of this Lease or, if there has been a default or defaults, the nature of said default or defaults.

ARTICLE XXVII

**COVENANT OF THE PARTIES**

RLA, District and Lessee shall:

- (a) not discriminate on the basis of race, color, religion, sex or national origin in the sale, lease, rental, use or occupancy of the Arena Land and the DC Arena or any part thereof;
- (b) not execute any agreement, lease, conveyance or other instrument whereby the Arena Land and the DC Arena or any part thereof is restricted on the basis of race, color, religion, sex or national origin; and
- (c) comply with all applicable laws prohibiting discrimination by reason of race, color, religion, sex or national origin.

This covenant shall be expressed in any instrument from RLA, District or Lessee or their successors and assigns to any future lessee, sublessee, licensee, transferee or any of their

successors or assigns relating to the Arena Land or the DC Arena or any part thereof or interest therein. District shall (both in its own right and also for the purposes of protecting the interest of the community and any other parties, public or private, in whose favor or for whose benefit the above covenant has herein been made) be deemed a beneficiary of such covenant, and such covenant shall run in favor of District and the United States of America for the entire period during which such covenant shall be in force and effect without regard to whether District or the United States of America is or remains an owner of any land or interest therein to which such covenant relates. As such a beneficiary, District shall have the right, in the event of any breach of this covenant, to exercise all the rights and remedies, and to maintain any actions at law or suits in equity or other proper proceedings, to enforce the curing of such breach to which beneficiaries of such covenant may be entitled.

### ARTICLE XXVIII

#### **MISCELLANEOUS**

28.1 Amendment; Waiver. No alteration, amendment or modification hereof shall be valid unless set forth in writing by an instrument in recordable form and executed by the parties hereto with the same formality as this Lease, which instrument shall be recorded, at the request of any party, in the land records of the District of Columbia. The failure of Lessee, RLA or District to insist in any one or more instances upon the strict performance of any of the covenants, agreements, terms, provisions or conditions of this Lease or to exercise any election herein contained, shall not be construed as a waiver or relinquishment for the future of such covenant, agreement, term, provision, condition, election or option, but the same shall continue and remain in full force and effect. No waiver by Lessee, RLA or District of any covenant, agreement, term, provision or condition of this Lease shall be deemed to have been made unless expressed in writing and signed by an appropriate official on behalf of Lessee, RLA or District. The payment by any party to this Lease of sums due and payable hereunder, with knowledge of the breach of any covenant, agreement, term, provision or condition herein contained, shall not be deemed a waiver of such breach.

28.2 Consent. Unless otherwise specifically provided herein, no consent or approval by Lessee, RLA or District permitted or required under the terms of this Lease shall be of any validity whatsoever unless the same shall be in writing, signed by the party by whom or on whose behalf such consent is given.

28.3 Severability. If any article, section, subsection, term or provision of this Lease or the application thereof to any party or circumstance shall, to any extent, be held invalid or unenforceable, the remainder of the article, section, subsection, term or provision of this Lease or the application of the same other than such applications as are held invalid or unenforceable shall not be affected thereby and each remaining article, section, subsection, term or provision of this Lease shall be valid and enforceable to the fullest extent permitted by law.

28.4 Covenant of Quiet Enjoyment. RLA and District covenant that if, and so long as, Lessee keeps and performs each and every covenant, agreement, term, provision and condition of this Lease on the part and on behalf of Lessee to be kept and performed, Lessee shall quietly enjoy its rights under this Lease without hindrance or molestation by RLA, District or any other Person, subject to the covenants, agreements, terms, provisions and conditions of this Lease.

28.5 Prorations. Any prorations to be made under this Lease shall be computed on the basis of a Rent Year or calendar year, as the case may be, containing three hundred sixty-five (365) days.

28.6 Terms. The singular includes the plural, and vice versa, and the masculine, feminine and neuter adjectives and pronouns include one another to the extent that the context clearly requires.

28.7 Captions. The captions of articles and sections are for convenient reference only and shall not be deemed to limit, construe, affect, modify or alter the meaning of such articles or sections.

28.8 Binding Effect. Each of the provisions of this Lease shall be binding upon and inure to the benefit of RLA, District and Lessee, and their respective permitted successors and assigns.

28.9 Lease Contains All Terms. All of the representations, agreements, understandings and obligations of the parties are contained herein and in the Exhibit attached hereto and in any and all other documents referred to herein. Neither RLA nor District shall be required to provide any services or any other thing in support of the DC Arena except as set forth herein or in other agreements or as required by law. All terms and conditions required to be set forth in the Letter of Agreement on General Business Terms described in Section 2 of the Exclusive Right Agreement ("ERA") dated July 17, 1995 between RLA and National Capital Development Corporation ("NCDC") (which ERA was subsequently assigned by NCDC to Lessee) have been reflected in the provisions of this Lease, and execution of this Lease shall be deemed full satisfaction of the requirement in the ERA to provide such Letter of Agreement on General Business Terms.

28.10 No Relationship of Parties. Nothing contained in this Lease shall be deemed or construed by the parties hereto or by any third party to create the relationship of principal and agent, partnership, joint venture or any association between or among RLA, District and Lessee.

28.11 Notices. All notices, demands and requests and other communications required or permitted under this Lease shall be in writing, and shall be deemed to be delivered when actually received or, if earlier and regardless of whether actually received or not, five (5) days after deposit in a regularly maintained receptacle for the United States mail, registered or

certified, postage prepaid, or the next Business Day if sent by a nationally recognized overnight courier service, or on the day actually sent, if sent by facsimile transmission (with a copy sent by a nationally recognized overnight courier service), addressed to the addressee as follows:

For RLA: The District of Columbia Redevelopment Land Agency  
51 N Street, N.E.  
Washington, D.C. 20002  
Attn: Merrick T. Malone, Secretary  
Telecopier: (202) 535-1584

With a copy to Office of Corporation Counsel  
441 4th Street, N.W.  
6th Floor - North  
Washington, D.C. 20001  
Attn: Economic Development Division  
Telecopier: (202) 727-6014

For District: The District of Columbia  
441 4th Street, N.W.  
Suite 1100  
Washington, D.C. 20001  
Attn: Marianne C. Niles, Secretary  
Telecopier: (202) 727-3582

With copies to: Latham & Watkins  
1001 Pennsylvania Avenue, N.W.  
Suite 1300  
Washington, D.C. 20004  
Attention: Leonard A. Zax, Esq.  
Telecopier: (202) 637-2201

Department of Housing and Community  
Development  
51 N Street, N.W.  
Washington, D.C. 20002  
Attn: Merrick T. Malone, Director  
Telecopier: (202) 535-1584

DC Sports Commission  
RFK Memorial Stadium  
2400 E. Capitol Avenue, S.E.  
Washington, D.C. 20003  
Attn: Chairperson and Executive Director  
Telecopier: 202/547-7460

For Lessee: DC Arena L.P.  
One Harry S. Truman Drive  
Landover, Maryland 20785  
Attention: Mr. Abe Pollin  
Telecopier: (301) 386-7007

With a copy to: Arent Fox Kintner Plotkin & Kahn  
1050 Connecticut Avenue, N.W.  
Washington, D.C. 20036  
Attention: David M. Osnos, Esq.  
Telecopier: (202) 857-6195

Any party may from time to time by written notice given to the other parties pursuant to the terms of this Section 28.11 change the address to which notices shall be sent.

28.12 Applicable Law. This Lease has been prepared in the District of Columbia and shall be governed in all respects by the laws of the District of Columbia.

28.13 Cross-References. Any reference in this Lease to a Recital, Section, Article or Exhibit is a reference to a recital, section, article or exhibit, as appropriate, of this Lease, unless otherwise expressly indicated.

28.14 Effective Date. This Lease shall be a legally binding agreement, in full force and effect, as of the Effective Date.

28.15 Claim or Contention. RLA and District shall have the obligation to inform Lessee in writing immediately, but not later than ten (10) Business Days, following receipt (or other awareness) by RLA or District of any claim or contention, whether or not made in a lawsuit, that the performance by District and/or RLA of any duty or Obligation contemplated in this Lease or any other document referred to herein would violate the United States Constitution or any law or regulation of the federal government or the District of Columbia. In the event of any such claim or contention, RLA and District shall have the duty to vigorously and promptly defend such claim or contention and, if Lessee elects to participate in (or consult with District and RLA as to) such defense, to join Lessee in the Action, if applicable, upon Lessee's request.

28.16 Accord and Satisfaction. Payment by any party hereto, or receipt or acceptance by a receiving party, of any payment due hereunder in an amount less than the amount required to be paid hereunder shall not be deemed an accord and satisfaction, or a waiver by the receiving party of its right to receive and recover the full amount of such payment due hereunder. Notwithstanding any statement to the contrary on any check or payment or on any letter accompanying such check or payment, the receiving party may accept such check or payment without prejudice to the receiving party's right to recover the balance of such payment due hereunder or to pursue any other legal or equitable remedy provided in this Lease.

28.17 No Merger. There shall be no merger of this Lease and the leasehold estate hereby created with the fee estate on the Arena Land and the DC Arena or any part thereof by reason of the fact that the same person, firm, corporation or other legal entity may acquire or hold, directly or indirectly, this Lease or the leasehold estate and the fee estate in the Arena Land and the DC Arena or any interest in such fee estate.

28.18 Further Assurances. Lessee, RLA and District shall execute, acknowledge and deliver, after the date hereof, without additional consideration, such further assurances, instruments and documents, and shall take such further actions, as RLA, District or Lessee shall reasonably request of the other parties in order to fulfill the intent of this Lease.

28.19 Retained Revenues. Lessee shall be entitled to receive and retain all revenues generated by the DC Arena, including revenues generated from Premier Seating, naming and other sponsorships, concessions, novelties, advertising, ticket sales, parking and media production.

28.20 No Third Party Beneficiary. The provisions of this Lease are for the exclusive benefit of the parties hereto and not for the benefit of any third Person, nor shall this Lease be deemed to have conferred any rights, express or implied, upon any third Person unless otherwise expressly provided for herein.

28.21 Counterparts. This Lease may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

28.22 Interest of Members, Officers, and Employees of RLA. No member of RLA shall participate in any decision relating to this Lease which affects his or her personal interest or the interest of any corporation, partnership or association in which he or she is directly or indirectly interested nor shall any member, officer, agent or employee of RLA have any interest, direct or indirect, in this Lease or the proceeds thereof.

28.23 Interest of Members of or Delegates to Congress. No member of or delegate to the Congress of the United States of America, and no Resident Commissioner, shall be admitted to any share or part hereof or to any benefit arising herefrom. If any partner or



Person having an interest in Lessee, directly or indirectly, shall become a member of or a delegate to Congress or a Resident Commissioner, his or her interest in Lessee shall automatically become and be null and void; provided, however, that this provision shall not limit, except as otherwise provided in this Lease, the right of any such person to dispose of such interest prior to his or her acceptance of any such office, which acceptance shall be deemed to have occurred at the taking of any required oath of office.

28.24 Finality of Approvals. Where, pursuant to this Lease, any document of or proposed action by Lessee is submitted by it to RLA, and Lessee has been notified in writing by RLA that the same is approved or is satisfactory, such determination shall be deemed to be a final determination by RLA with respect to such particular document or proposed action for all purposes.

28.25 Agreement Made in District. This Lease shall be taken and deemed to have been fully made and executed by the parties to this Lease in the District of Columbia for all purposes and intents.

28.26 Sole Obligations of District. The parties hereby agree that the following provisions of this Lease shall be and are the sole obligation of the District and that RLA shall have no obligation with regard thereto: Section 3.2(c), (d), (e) and (g), and Article VII.

#### ARTICLE XXIX

#### **NBA AND NHL APPROVALS**

The approvals of the NBA and the NHL of the relocation of both of the Teams to the DC Arena and any other matters requiring the approval of the NBA and the NHL, have been applied for and will be duly approved by the NBA and the NHL by no later than the Completion Date.

IN WITNESS WHEREOF, the District of Columbia Redevelopment Land Agency has caused this Lease to be executed in its corporate name by Duryea C. Smith, its Assistant Secretary, and attested by Jose C. Nunez its Project Manager, and does hereby constitute and appoint Duryea C. Smith its true and lawful Attorney-in-Fact for it and in its name to acknowledge and deliver this Lease as its act and deed.

RLA:

DISTRICT OF COLUMBIA  
REDEVELOPMENT LAND AGENCY, an  
instrumentality of the District of Columbia

ATTEST:

By: 

Name: Jose C. Nunez  
Title: Project Manager

By: 

Name: Duryea C. Smith  
Title: Assistant Secretary

APPROVED AS TO LEGAL  
SUFFICIENCY:

By: 

Name: Donald A. Thigpen, Jr.  
Assistant Corporation Counsel

IN WITNESS WHEREOF, the District of Columbia has caused this Lease to be executed in its corporate name by MARION BARRY, its MAJOR, and attested by MARIANNE C. NILES, its SECRETARY, and its seal to be hereunto affixed and does hereby constitute and appoint MARION BARRY, its true and lawful Attorney-in-Fact for it and in its name to acknowledge and deliver this Lease as its act and deed.

DISTRICT:

DISTRICT OF COLUMBIA, a  
a municipal corporation

## ATTEST:

By:

Marianne Coleman Niles  
Name: MARIANNE COLEMAN NILES  
Title: Secretary of the  
District of Columbia

By:

Marion Barry  
Name: Marion Barry  
Title: Mayor

APPROVED AS TO LEGAL  
SUFFICIENCY:

By:

W. E. Butler  
Name: W. E. Butler  
Deputy Corporation Counsel

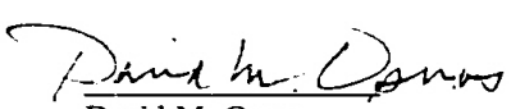
IN WITNESS WHEREOF, DC Arena L.P. has caused this Lease to be executed by Abe Pollin, President of Washington Sports & Entertainment, Inc., which is the general partner of DC Arena L.P., and attested by David M. Osnos, Secretary of Washington Sports & Entertainment, Inc., and its seal to be hereunto affixed and does hereby constitute and appoint Abe Pollin its true and lawful Attorney-in-Fact for it and in its name to acknowledge and deliver this Lease as its act and deed.

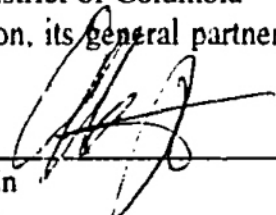
LESSEE:

DC ARENA L.P., a District of Columbia  
limited partnership

ATTEST:

By: Washington Sports & Entertainment,  
Inc., a District of Columbia  
corporation, its general partner

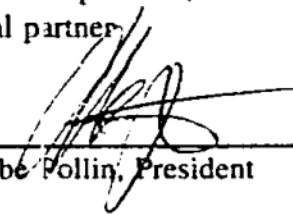
  
David M. Osnos  
Secretary

By:   
Abe Pollin  
President

WSELP hereby guarantees Lessee's obligations (i) under Article VI to pay Rent and (ii) under Section 8.2; provided, however, that the amount payable, as agreed liquidated damages, under clause (ii) of this guaranty shall be equal to the unamortized portion of Sixty-One Million Dollars (\$61,000,000) amortized on a straight line basis over thirty (30) years commencing on the date of the first Arena Event. WSELP represents that it is a limited partnership duly organized, validly existing and in good standing under the laws of the State of Maryland with the necessary partnership power to perform its obligations hereunder.

WASHINGTON SPORTS & ENTERTAINMENT  
LIMITED PARTNERSHIP,  
a Maryland limited partnership

By: Abe Pollin Sports, Inc.,  
a Maryland corporation,  
its general partner

By:   
Abe Pollin, President

WBLP hereby covenants and agrees that, except as provided in Articles XV and XIX and, except in connection with a force majeure event, WBLP shall (i) cause the Bullets from and after the Rent Commencement Date and until the expiration of the Term or earlier termination of this Lease (by lapse of time or otherwise) to play all of its home Games at the DC Arena and (ii) not seek permission from the NBA to play any of its home Games other than at the DC Arena; provided, however, that this covenant shall be subject and subordinate to the governing documents of the NBA, including those provisions of the governing documents establishing the rights of the NBA with respect to termination, sale or relocation of the franchise, which governing documents include the NBA (i) Constitution, (ii) Bylaws, (iii) rules, regulations, and policies adopted from time to time and (iv) agreements and consents entered into from time to time, including the Consent Agreement to be entered into in connection with this Lease, the financing of the DC Arena and the relocation of the Teams to the DC Arena. WBLP represents that it is a limited partnership duly organized, validly existing and in good standing under the laws of District with the necessary partnership power to perform its obligations hereunder and that it has not conducted and is not conducting any business other than owning and operating the Bullets in accordance with the governing documents of the NBA.

WASHINGTON BULLETS L.P.,  
a District of Columbia limited partnership

By: WASHINGTON SPORTS & ENTERTAINMENT,  
INC., a District of Columbia corporation, its  
general partner


By:

  
Abe Pollin, President

WCLP hereby covenants and agrees that, except as provided in Articles XV and XIX and, except in connection with a force majeure event, WCLP shall (i) cause the Capitals from and after the Rent Commencement Date and until the expiration of the Term or earlier termination of this Lease (by lapse of time or otherwise) to play all of its home Games at the DC Arena and (ii) not seek permission from the NHL to play any of its home Games other than at the DC Arena; provided, however, that this covenant shall be subject and subordinate to the governing documents of the NHL, including those provisions of the governing documents establishing the rights of the NHL with respect to termination, sale or relocation of the franchise, which governing documents include the NHL (i) Constitution, (ii) Bylaws, (iii) rules, regulations, and policies adopted from time to time and (iv) agreements and consents entered into from time to time, including the Consent Agreement to be entered into in connection with this Lease, the financing of the DC Arena and the relocation of the Teams to the DC Arena. WCLP represents that it is a limited partnership duly organized, validly existing and in good standing under the laws of District with the necessary partnership power to perform its obligations hereunder and that it has not conducted and is not conducting any business other than owning and operating the Capitals in accordance with the governing documents of the NHL.

WASHINGTON CAPITALS L.P.,  
a District of Columbia limited partnership

By: WASHINGTON SPORTS & ENTERTAINMENT,  
INC., a District of Columbia corporation, its  
general partner

By:   
Abe Pollin, President

DISTRICT OF COLUMBIA, SS.

I, Willie Grace Coffield, a Notary Public in and for the District of Columbia, do hereby certify that Budapest C. Smith, who is personally well known (or satisfactorily proven) to me to be the person named as Assistant Secretary of the District of Columbia Redevelopment Land Agency, an instrumentality of the District of Columbia government, in the foregoing Lease, bearing date as of the 29th day of December, 1995, and hereto annexed, personally appeared before me in the said District of Columbia and acknowledged the same to be the act and deed of the District of Columbia Redevelopment Land Agency for the purposes therein contained.

WITNESS my hand and seal this 29th day of December, 1995.

Willie Grace Coffield  
Notary Public

WILLA GRACE COFFIELD  
NOTARY PUBLIC DISTRICT OF COLUMBIA  
My Commission Expires February 14, 2000

My commission expires: \_\_\_\_\_

DISTRICT OF COLUMBIA, SS.

I, Andrea Mason, a Notary Public in and for the District of Columbia, do hereby certify that Milton Barkin, who is personally well known (or satisfactorily proven) to me to be the person named as MAYOR of the District of Columbia, a municipal corporation, in the foregoing Lease, bearing date as of the 29th day of December, 1995, and hereto annexed, personally appeared before me in the said District of Columbia and acknowledged the same to be the act and deed of the District of Columbia, for the purposes therein contained.

WITNESS my hand and seal this 29th day of December, 1995.

Andrea Mason  
Notary Public

My commission expires: March 14, 1997



DISTRICT OF COLUMBIA, SS.

I, Richard J. Robertson, a Notary Public in and for the District of Columbia, do hereby certify that Abe Pollin, who is personally well known (or satisfactorily proven) to me to be the person named as President of Abe Pollin Sports, Inc., a Maryland corporation, the general partner of Washington Sports & Entertainment Limited Partnership, a Maryland limited partnership, and President of Washington Sports & Entertainment, Inc., the general partner of DC Arena L.P., a District of Columbia limited partnership, Washington Bullets L.P., a District of Columbia limited partnership and Washington Capitals L.P., a District of Columbia limited partnership, in the foregoing Lease, bearing date as of the 21<sup>st</sup> day of December, 1995, and hereto annexed, personally appeared before me in the said District of Columbia and acknowledged the same to be the act and deed of DC Arena L.P. for the purposes therein contained.

WITNESS my hand and seal this 19<sup>th</sup> day of December, 1995.

Richard J. Robertson  
Notary Public

My commission expires: 5/14/2000

**EXHIBIT A**

Being Lot 47 in Square 455 as per plat recorded in the Office of the  
Surveyor for the District of Columbia in Liber 189 at page 12.

**EXHIBIT B**

1. Demolition of buildings at 605 and 613 G Street - estimated to be completed by December 15, 1995
2. Removal of contaminated soils - estimated to be completed by March 15, 1996
3. Off-site sewer and water work - estimated to be completed by December 31, 1996
4. Relocation of electrical substation at Gallery Place Metro station - to be completed in accordance with schedule contemplated by the WMATA Agreement

9600001285

95 JAN -5 PM 3:03

*Handwritten signature: Kenneth L. Smith*

330-

RETURN TO: CHICAGO TITLE  
1129 20th St, N.W. #100  
N.D.C. 20036  
9580-10117(R)

PURCHASE  
CO # 101170  
TOTAL 330.00  
FEE 0.00  
40.00

OF 00001285 000101  
# 960001285  
1275018 330.00  
TOTAL 330.00

**DC ARENA L.P.**  
**601 F Street, N.W. Washington, D.C. 20004**

December 20, 2007

VIA FACSIMILE AND FEDEX

Office of the Deputy Mayor for Planning  
and Economic Development  
The John A. Wilson Building  
1350 Pennsylvania Avenue, N.W.  
Suite 317  
Washington, D.C. 20004  
Attention: Verizon Center  
Telecopier: (202) 727-6703

Office of Finance and Treasury  
1275 K Street, NW  
Suite 600  
Washington, DC 20005  
Attention: Treasurer  
Telecopier: (202) 727-6049

Office of the Chief Financial Officer  
One Judiciary Square  
441 4th Street, N.W., Suite 410 South  
Washington, D.C. 20001  
Attention: Senior Advisor for Economic  
Development/Verizon Center  
Telecopier: (202) 727-9459

Office of the Attorney General  
441 4<sup>th</sup> Street, N.W.  
One Judiciary Square  
Washington, D.C. 20001  
Attention: Assistant Attorney General  
– Verizon Center  
Telecopier: (202) 347-8922

Re: Notice of Extension – DC Arena L.P.

Ladies and Gentlemen:

Reference is made to that certain Land Disposition Agreement – Ground Lease, dated as of December 29, 1995, by and among (i) the District of Columbia Redevelopment Land Agency, an instrumentality of the District of Columbia, (ii) the District of Columbia, a municipal corporation (“District”), and (iii) DC Arena L.P., a District of Columbia limited partnership (“Lessee”), as amended by that certain Amendment No. 1 to Land Disposition Agreement – Ground Lease, dated as of the date hereof, by and among (i) District, in its capacity as successor-in-interest to RLA Revitalization Corporation, successor-in-interest to the District of Columbia Redevelopment Land Agency, (ii) District, on behalf of itself, and (iii) Lessee (as so amended, the “Ground Lease”). Capitalized terms not otherwise defined herein shall have the respective meanings set forth in the Ground Lease.

Pursuant to Section 5.2(a) of the Ground Lease and subject to the revocation right set forth therein, Lessee hereby exercises its right to extend the Ground Lease for each of the two (2) Renewal Terms and this letter constitutes Lessee’s Notice of Extension for both Renewal Terms.

Office of the Deputy Mayor for Planning  
and Economic Development  
Office of the Chief Financial Officer  
Office of Finance and Treasury  
Office of the Attorney General

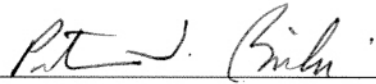
December 20, 2007

Page 2

Sincerely,

DC ARENA L.P.,  
a District of Columbia limited partnership

By: Washington Sports & Entertainment Inc.,  
a District of Columbia corporation,  
its General Partner

By:   
Peter J. Biché, President-Business Operations

cc: Richard L. Brand, Esq.