

EXECUTION COPY

**LEASE**

**Between**

**LANDLORD: TEF-THREE, LLC  
a Michigan limited liability company,**

**And**

**TENANT: PUBLIC SCHOOL ACADEMIES OF DETROIT,  
a Michigan non-profit corporation**

**Dated: December 28, 2011**

**LEASE**

**SECTION 1**  
**SCHEDULE**

**LANDLORD:** NAME: TEF-THREE, LLC  
ADDRESS: P.O. Box 6349  
Plymouth, MI 48170

**TENANT:** NAME: PUBLIC SCHOOL ACADEMIES OF  
DETROIT  
ADDRESS: 600 Antoinette, Detroit, MI 48202

**DEMISED PREMISES:** Land located in the City of Detroit, Wayne County, Michigan at 10225 Third, Detroit, Michigan as described in legal description attached as Exhibit A (the "Site"), together with all improvements located thereon, including without limitation the existing building, and the Landlord Improvements (defined herein)(collectively, the "Demised Premises")

**LEASE TERM:** July 15, 2012 until June 30, 2022 unless terminated sooner pursuant to Paragraph 2.2.

**EFFECTIVE DATE** The date this Lease has been executed by Landlord and Tenant below.

**COMMENCEMENT DATE:** The term of this Lease shall commence on July 15, 2012.

**TERMINATION DATE:** June 30, 2022.

**BASE RENT:** Base Rent for each Lease Year shall be as set forth in Exhibit B attached hereto.

**EXHIBITS ATTACHED:** "A" - Legal Description of Site  
"B" – Base Rent Schedule

**SECTION 2**  
**GRANT AND TERM**

**2.1 Demised Premises**

Landlord, in consideration of the rents to be paid and the covenants, promises and agreements to be performed by Tenant, does hereby lease to Tenant and Tenant hereby rents from Landlord, the Demised Premises described in Section 1.

**2.2 Term**

The term of this Lease shall be for the Lease Term, unless the Lease Term is extended or sooner terminated in accordance with the provisions of this Lease. Also, the Lease Term shall immediately terminate if Tenant's authorization to operate the Henry Ford Academy Elementary School is terminated in accordance with Article X of a certain Contract to Charter One or More Urban High School Academies and Related Documents dated December 14, 2007, as amended, by and between GVSU Board of Trustees ("Authorizer") and the Public School Academies of Detroit (the "Charter School Contract").

**SECTION 3**  
**CONSTRUCTION OF DEMISED PREMISES**

**3.1 Construction**

Landlord agrees to cause Substantial Completion (defined below) of the Landlord Improvements, at Landlord's sole cost and expense, prior to the Commencement Date.

**3.2 Delays**

In the event Landlord's contractors shall be delayed or hindered in the construction of the Landlord Improvements or prevented from completing such construction or prevented from delivering possession of the Demised Premises on or prior to the Commencement Date because of any strike, lockout, labor dispute; fire, damage or destruction or casualty; unavailability of material; weather; power failures; unavailability of utilities; restrictive governmental laws or regulations; riots; insurrection; war; or any other reason, beyond the reasonable control of the Landlord or its contractors ("Force Majeure Event"), then Landlord shall be excused for the period of delay caused by the Force Majeure Event and the Commencement Date shall be extended for such period of delay, and the Termination Date shall be extended for the same number of days as the Commencement Date has been postponed.

**3.3 Substantial Completion**

"Substantial Completion" shall mean the completion of the Landlord Improvements so that the Demised Premises is available and all required governmental permits and approvals have been obtained (including a certificate of occupancy) for occupancy and use by Tenant as a public school academy for use as a high school.

**SECTION 4**  
**POSSESSION AND COMMENCEMENT OF TERM**

**4.1 Possession and Commencement of Lease Term**

Landlord shall deliver actual possession of the Demised Premises to Tenant on or before the Commencement Date, but if delivery is delayed by reason of a Force Majeure Event, the date upon which such possession is delivered shall constitute the "Commencement Date" in lieu of the date provided in Section 1 and the Termination Date provided in Section 1 shall be extended for the same number of days. In the event that Tenant occupies the Demised Premises prior to the Commencement Date, the Commencement Date shall be the date that Tenant occupies the Demised Premises, but the Termination Date shall not be changed from the date provided in Section 1. Landlord shall, when construction progress so permits, notify Tenant of the date that Substantial Completion of the Landlord Improvements is anticipated. By occupying the Demised Premises, Tenant will be deemed to have accepted the Landlord Improvements and the Demised Premises. The Rent, as defined herein, due under this Lease and the term of this Lease shall commence on the Commencement Date.

**4.2 Landlord Not Liable For Delays**

Under no circumstances shall Landlord be liable for any delays in the delivery of possession to Tenant on the Commencement Date. Tenant's sole and exclusive remedy shall be the abatement of Rent until the Demised Premises are ready for occupancy and possession is delivered to Tenant.

**4.3 Memorandum**

Within 30 days after the delivery of possession to Tenant, Tenant shall join with Landlord in the execution of a written memorandum confirming the Commencement Date and Termination Date of the Lease Term. Tenant's failure to execute the Memorandum (if requested by Landlord) shall be a default by Tenant under this Lease.

**SECTION 5**  
**BASE RENT**

**5.1 Base Rent**

Tenant shall pay to Landlord Base Rent during the Lease Term. Base Rent shall be payable in quarterly installments in arrears with the first such payment due on October 1, 2012 and then on the first day of each calendar quarter of each Lease Year thereafter at the office of Landlord stated in Section 1 or such other place designated by Landlord.

**5.2 Rent Net of Expenses**

Landlord and Tenant intend that Base Rent due hereunder, together with any adjustments during the Lease Term shall be absolutely net of all costs, expenses, taxes (real and personal) and charges of every kind and nature whatsoever relating to the ownership, occupancy or use of the Demised Premises. To the extent permitted by law and without

waiving any privilege or immunity, Tenant shall indemnify and hold Landlord harmless from and against any such costs, expenses, taxes (real or personal) and charges for which Tenant is responsible under this Lease.

### **5.3 Additional Rent**

All amounts due from Tenant and payable to Landlord or the provider of any service (such as utilities, maintenance, etc.), if provided direct to Tenant, excluding Base Rent, including, without limitation, utilities, taxes, maintenance and insurance costs shall be deemed to be additional rent ("Additional Rent"). Upon Tenant's failure to pay any such amount, Landlord, in addition to any other remedies, shall have the same remedies provided for Tenant's failure to pay Base Rent (Base Rent, together with the Additional Rent, shall be collectively referred to as "Rent"). Tenant shall pay any and all sums of money or charges required to be paid by Tenant under this Lease, including, but not limited to, Additional Rent, promptly when the same are due, without any deductions or setoff whatsoever except as otherwise specifically set forth herein. Landlord will forward to Tenant any bills Landlord receives that Tenant is obligated to pay, including but not limited to tax, utility and other service bills, within five (5) days of Landlord's receipt thereof.

### **5.4 Lease Year**

"Lease Year" shall mean a period of twelve (12) consecutive calendar months, except (a) the last year of the Lease Term, which shall expire on the Termination Date and (b) the first Lease Year, shall begin on the Commencement Date and expire on December 31, 2012.

## **SECTION 6** **UTILITIES**

Tenant agrees to pay all charges made against the Demised Premises for gas, heat, water, air conditioning, electricity, sanitary and storm sewage disposition, telephone and all other utilities ("Utilities") during the Lease Term (but specifically excluding the expenses of bringing Utilities to the Site and to the improvements constituting the Landlord Improvements and separately metering the Utilities, which costs are included as part of the Landlord Improvements) as the same shall become due all of which shall be separately metered and billed directly to Tenant. Landlord shall not be liable to Tenant for the quality or quantity of any such utilities, or for any interruption in the supply of any such utilities.

## **SECTION 7** **TAXES AND ASSESSMENTS**

### **7.1 Obligation**

Tenant agrees to pay to Landlord as Additional Rent any and all Taxes (as defined in Section 7.2) assessed against the Demised Premises for each Lease Year or partial Lease Years during the Lease Term.

## **7.2 Definition**

"Taxes" shall be defined as: (a) all taxes (either real or personal), assessments (general or specific), all water and sewer charges, and all other governmental impositions, which may be levied during the Lease Term upon the land, buildings or improvements comprising the Demised Premises or any part thereof; (b) all other taxes and other charges imposed by the State of Michigan or any subdivision thereof which: (1) are in replacement of or in lieu of increases in all or any part of ad valorem taxes as sources of revenue and (2) are based in whole or in part upon Demised Premises or any interest therein or the ownership thereof, or the rents, profits or other income therefrom, including, without limitation, income, single business, franchise, excise, license, privilege, sales, use, and occupancy taxes; (c) a tax or surcharge of any kind or nature upon, against or with respect to the parking areas or the number of parking spaces on the Demised Premises; and (d) all costs and expenses incurred by Landlord during the lease term for negotiations for or contests of the amount of such taxes and assessments, without regard to the result, including, without limitation, actual attorneys' fees; provided, that Tenant pre-approves such contests for taxes or assessments. Taxes shall not include any tax on the net income of Landlord, except to the extent included in subparagraph (b) above.

## **7.3 Payments**

Taxes on the Demised Premises levied or assessed for or during the Lease Term shall be paid to Landlord within ten (10) days after Landlord delivers to Tenant a statement for such Taxes. The Taxes for the years in which this Lease commences and terminates shall be prorated on a due date basis.

## **7.4 Tenant's Taxes**

Tenant shall pay all real and personal property taxes levied or assessed against Tenant's property and improvements upon or affixed to the Demised Premises, including taxes attributable to all alterations, additions, or improvements made by Tenant.

# **SECTION 8**

## **USE OF DEMISED PREMISES**

### **8.1 Use of Demised Premises**

Tenant shall use and occupy the Demised Premises during the Lease Term only for (a) the purpose of establishing, managing, and operating a public school academy for use as a elementary school known as the Henry Ford Academy Elementary School and attendant office use, and for no other purpose without the prior written consent of Landlord, which may be granted or withheld in its sole and absolute discretion, provided that such use does not include (A) the rental to others of residential rental property, which is defined in Section 168(e)(2)(A) of the Internal Revenue Code of 1986 (the "Code") as property where eighty percent (80%) or more of the gross rental income from such property is derived from the rental of dwelling units, or (B) the operation of any: (1) private or commercial golf course, (2) country club, (3) massage parlor, hot tub facility, or suntan facility, (4) race track or other facility used for gambling, or (5) store the principal

business of which is the sale of alcoholic beverages for consumption off premises. Tenant shall not use or permit any person to use the Demised Premises or any part thereof for any use or purpose other than the use stated in this Lease or in violation of any law, statute, order, ordinance, code, rule or regulation of any federal, state or municipal body or other governmental agency or authority having jurisdiction thereof, including, without limitation, zoning, land use and building ordinances, uses and requirements; occupational safety and health requirements; community right-to-know requirements; the Americans With Disabilities Act of 1990; and state and federal environmental laws (collectively "Laws"), affecting the Demised Premises, if any; provided, however, that Tenant shall not be responsible for any violation of Laws or any condition at the Demised Premises existing on or before the Commencement Date. Tenant shall comply strictly with each and every term, condition and requirement of the Charter School Contract.

## **8.2 Care of Demised Premises**

Tenant shall keep the Demised Premises orderly, neat, safe and clean and free from rubbish and dirt at all times and shall store all inventory, supplies, trash and garbage within the buildings on the Demised Premises. Tenant shall keep the driveways and walkways within the Demised Premises free from snow and ice, and shall arrange for the regular removal of snow during the winter months and the pick up of trash and garbage at Tenant's expense. At the expiration of the Lease Term, or the sooner termination thereof, Tenant shall surrender the Demised Premises in as good condition and repair as existed at the time Tenant took possession, reasonable wear and tear excepted.

## **8.3 Hazardous Substances**

Tenant shall not use, cause or permit the Demised Premises to be used to generate, manufacture, refine, transport, treat, store, handle, dispose, transfer, produce or process hazardous substances.

# **SECTION 9** **INDEMNITY**

## **9.1 Indemnity**

To the extent permitted by applicable law and without waiving any privilege or immunity, Tenant shall defend, indemnify and hold harmless Landlord and Landlord's officers, directors, employees and agents (regardless of any negligence imputed to Landlord by law due to its ownership of the real property involved), from and against any and all claims, suits, personal injuries, death, property damage, liabilities, damages, losses, costs or expenses, including, without limitation, reasonable legal, accounting, consulting, engineering and other expenses (collectively "Damages") which may be imposed upon, incurred by, or asserted against Landlord or Landlord's officers, directors, employees or agents (collectively "Indemnified Parties"), arising directly or indirectly from any (a) occurrence on or about the Demised Premises from any cause whatsoever from and after the Commencement Date and during the Lease Term, (b) failure of Tenant to comply with

any provision of this Lease, (c) failure of any subtenant to comply with any provision of any sublease, (d) occupancy or use by Tenant and/or subtenant of the Demised Premises or any act or omission of Tenant, its employees, agents, representatives, invitees, licensees and contracting parties or any subtenant, or (e) failure of Tenant to strictly comply with the terms and conditions of the Charter School Contract. The indemnities provided herein shall include attorneys' fees incurred by the Indemnified Parties in connection with such Damages or to enforce the indemnity given hereunder. Tenant shall not be required, however, to indemnify Landlord against Damages arising from Landlord's gross negligence or willful misconduct. Any liability or loss as to which the Indemnified Parties are entitled under this Section 9.1 and all expenses incurred in connection therewith including, but not limited to, attorneys fees, shall constitute Additional Rent payable upon demand.

## **9.2 Liability Insurance**

Tenant shall procure and keep in effect during the Lease Term commercial, general liability insurance on an occurrence basis, including operations and insured contract coverage, for personal injury or death or property damage occurring in, upon or about the Demised Premises or any street, drive, sidewalk, curb or passageway adjacent thereto in the amount reasonably required by Landlord (but in no event less than Ten Million (\$10,000,000 ) Dollars combined single limit per occurrence, which may be based on a combination of primary coverage plus excess insurance or "umbrella" coverage. Any contractual liability coverage for indemnifications given by Tenant under this Lease shall not in any way limit such indemnifications.

## **9.3 Delivery of Policy.**

Tenant shall provide Landlord with evidence of the above-referenced insurance on or before the Commencement Date. Evidence of such insurance shall be in the form of an insurance policy or binder. Landlord shall be named as an additional insured on all such policies. Such insurance policies shall prohibit cancellation, alterations, changes, amendments, modifications, deletions or reductions in coverage either at the insistence of Tenant or the insurance company issuing the policy, without at least thirty (30) days prior written notice having been given to Landlord. If Tenant fails to maintain such insurance coverage, Landlord may, at its option, procure such insurance for the account of Tenant and the cost thereof shall be paid by Tenant to Landlord upon delivery to Tenant of bills therefore. The insurer or insurers shall be such as may from time to time be approved by Landlord and shall be issued by insurance companies authorized to do business in the State of Michigan.

# **SECTION 10**

## **MAINTENANCE AND REPAIRS**

### **10.1 Maintenance And Repairs**

Tenant shall, at its sole cost and expense, during the Lease Term, maintain, repair and replace and keep neat and in good appearance and condition the Demised Premises, including, but not limited to, the roof, exterior, interior, ceiling, electrical system,



plumbing system, HVAC system, storm sewers, sanitary sewers, water main, the driveways, walkways, parking area, lighting facilities, landscaping and land, which are part of the Demised Premises; provided, however, that Tenant shall not be responsible for (a) latent defects at the Demised Premises, or (b) any work covered by warranties Landlord receives from any construction contractor, subcontractor or materialman providing services and/or material in connection with the Landlord Improvements, all of which maintenance Landlord shall be responsible to cause to be performed at its cost. The plumbing system, including the sewage facility, serving the Demised Premises shall not be used for any purpose other than for which it was constructed and Tenant shall not introduce any matter therein which results in blocking such system. Tenant shall, at its sole cost and expense, also repair or replace the driveways, walkways, parking areas, and landscaping on the Demised Premises. Tenant shall, at its sole cost and expense, contract with contractors acceptable to Landlord (except in the case of emergency) for the performance of all maintenance, repairs and replacement required of Tenant under this Lease. Tenant shall perform such maintenance, repairs and replacement so as to maintain the Demised Premises in the same condition in which it was delivered to Tenant, reasonable wear and tear excepted. Such maintenance, repair and replacement obligations of Tenant shall include items deemed to be capital improvements for tax purposes. The maintenance, repair and replacement obligations of Tenant hereunder, shall survive termination of this Lease to the extent such obligations accrued prior to the termination of this Lease.

Tenant agrees to establish an capital reserve fund for major capital repairs or replacements of the Demised Premises (the "Capital Reserve") that shall contain at least \$40,000 at the start of the fourth Lease Year. At the start of each successive Lease Year, the Capital Reserve shall increase by \$40,000. If none of the Capital Reserve is spent during the initial five (5)-year Lease Term, the balance would contain an amount of \$80,000 at the end of the Lease Term. The Capital Reserve shall be available for major capital repairs or replacement of the Demised Premises, such as major repair or replacement of a building roof, an HVAC unit, the plumbing system, the water main, the electrical system, or other major facility elements. Withdrawal of funds from the Capital Reserve account shall require the signatures of both Landlord and Tenant. Withdrawal of funds from the Capital Reserve for furniture, fixtures, equipment or technology related items, such as computers and software, is prohibited. If Tenant exercises its option to extend the Lease Term, Tenant shall place \$40,000 a Lease Year into the Capital Reserve until a total of \$200,000 has been placed into the Capital Reserve.

## **10.2 Compliance With Laws**

During the term of this Lease, Tenant shall comply with all Laws (as defined in Section 8.1) and make any repairs, additions, modifications or alterations to the Demised Premises, regardless of the nature thereof, which are required by any Laws or required by the insurance carrier to maintain the insurance required under this Lease; provided, however, that Tenant shall not be responsible for any conditions existing at the Demised Premises prior to the Lease Commencement Date, or to perform any obligation that was to be performed by Landlord as part of the Landlord Improvements.

**SECTION 11**  
**TENANT'S ALTERATIONS**

Tenant shall not make any structural alterations, additions, modifications or improvements to the Demised Premises without the prior written consent of Landlord, which consent may be granted or withheld in the sole and absolute discretion of Landlord. Tenant shall not make any non-structural alterations, additions, modifications or improvements having a cost in excess of \$10,000 to the Demised Premises without the prior written consent of Landlord, which consent shall not be unreasonably withheld.

**SECTION 12**  
**PROPERTY INSURANCE, REBUILDING AND WAIVER OF SUBROGATION**

**12.1 Property Insurance**

Tenant shall, during the Lease Term, at its sole cost and expense keep the Demised Premises insured for the benefit of Landlord:

(i) by an "All Risk of Physical Loss" policy with the broadest form of extended coverage endorsement in an amount sufficient to prevent Landlord from becoming a co-insurer under the policies or Laws, including special extended coverage endorsements reasonably required by Landlord in an amount equal to the full replacement and reconstruction cost and valued on a replacement cost basis of the building and improvements which are a part of the Demised Premises (including any alterations made by Tenant and incorporated into the Demised Premise) as determined solely by Landlord, without allowance for depreciation and exclusive of the cost of excavations, foundations and footings;

(ii) against damage by flood if the Site is located in an area identified by the Secretary of Housing and Urban Development, or any successor, as an area having special flood hazard and in which flood insurance has been made available under the Flood Acts, in an amount determined solely by Landlord;

(iii) against damage or loss from (1) sprinkler system leakage, and (2) boilers, if any, boiler tanks, if any, heating and air-conditioning equipment, pressure vessels, auxiliary piping and similar apparatus, in an amount determined solely by Landlord; and

(iv) during the period of any construction, repair, restoration, or replacement of the Demised Premises, performed after the construction of the Landlord Improvements, by a standard builder's risk policy with extended coverage in an amount at least equal to the full replacement and reconstruction cost and valued on a replacement cost basis, workers compensation in statutory amounts, and such endorsements as required by Landlord.

Tenant shall provide Landlord with evidence of the above-referenced insurance on or before the Commencement Date. Evidence of such insurance shall be in the form of an insurance policy or binder. Landlord shall be named as an additional insured and loss payee on all such policies. Such insurance policies shall prohibit cancellation, alterations,

changes, amendments, modifications, deletions or reductions in coverage either at the insistence of Tenant or the insurance company issuing the policy, without at least thirty (30) days prior written notice having been given to Landlord. If Tenant fails to maintain such insurance coverage, Landlord may, at its option, procure such insurance for the account of Tenant and the cost thereof shall be paid by Tenant to Landlord upon delivery to Tenant of bills therefore. The insurer or insurers shall be such as may from time to time be approved by Landlord and shall be issued by insurance companies authorized to do business in the State of Michigan.

## **12.2 Rebuilding**

If the Demised Premises shall become damaged by fire or other casualty, Landlord may either restore the Demised Premises or make it tenable (to the extent of available insurance proceeds) or terminate this Lease by notifying the Tenant of such termination within thirty (30) days after the date of such damage, at its sole option. Tenant shall immediately notify Landlord of the occurrence of a fire or other casualty at the Demised Premises.

## **12.3 Waiver of Subrogation**

Any property insurance policy carried by Landlord or Tenant or any policy covering both the interest of Landlord or Tenant under this Section 12 shall include a provision under which the insurance company waives all right of recovery by way of subrogation against Landlord or Tenant in connection with any loss or damage covered by any such policy. Landlord or Tenant hereby release and discharge each other from any liability whatsoever arising from any loss, damage or injury caused by fire or other casualty to the extent of the insurance covering such loss, damage or injury.

## **SECTION 13 EMINENT DOMAIN**

### **13.1 Condemnation**

If all or any material part of the Demised Premises shall be taken or condemned by any competent authority for any public use or purpose, the Lease Term shall, at the option of Landlord, end as of the date of a stipulation, agreement, or order of possession. If the Demised Premises may not be reasonably used for the purpose contemplated by this Lease following any taking, Tenant, at its sole and absolute discretion, may terminate this Lease by written notice to Landlord. In the event of a termination pursuant to this Section, Rent shall be pro rated to the date of such taking. In the event of a condemnation, Landlord shall be entitled to the entire condemnation award, except that Tenant shall be entitled to receive any portion of the condemnation proceeds awarded for Tenant moving costs and related expenses, diminution in value of the leasehold interest only, and other just compensation and reimbursement to which Tenant is entitled from the condemning authority.

**SECTION 14**  
**ACCESS TO PREMISES**

Landlord or Landlord's agent shall have the right to enter the Demised Premises at all reasonable times to inspect or examine the same, and to make such tests, repairs, alterations, improvements or additions as Landlord may deem necessary or desirable. Landlord shall conduct all inspections and examinations and all repairs, alterations, improvements and/or additions in such a manner so as to not unreasonably disrupt the operations of Tenant at the Demised Premises. Landlord and Landlord's agent shall comply with all Laws when accessing the Demised Premises.

**SECTION 15**  
**FIXTURES AND EQUIPMENT**

All furnishings, fixtures and equipment installed by Landlord shall remain the property of Landlord at the termination of this Lease. Unless otherwise agreed to in a prior writing signed by Landlord and Tenant, if Tenant installs any furnishings, fixtures or equipment during the Term of this Lease that are incorporated into and/or affixed to the buildings or improvements located on the Demised Premises and cannot be removed without substantial damage or injury to the buildings or improvements, then they shall become the property of Landlord at the termination of the Lease Term and shall not be removed without Landlord's prior written consent, which may be granted or withheld in its sole and absolute discretion. All fixtures and equipment installed by Tenant and not removed at the termination of the Lease Term shall remain the property of Landlord. In the event Landlord consents to such removal, Tenant shall remove such fixtures in accordance with all applicable Laws and shall repair any such damage or injury in a good and workmanlike manner.

**SECTION 16**  
**ASSIGNMENT, SUBLETTING AND TRANSFERS BY TENANT**

Tenant shall not sell, assign, sublet, hypothecate, encumber, mortgage or in any manner transfer this Lease or any estate or interest therein (including any transfer by operation of law or otherwise), the Demised Premises or any part thereof or permit the use of the Demised Premises by any person or entity other than Tenant without the prior written consent of the Landlord, which may be granted or withheld in its sole and absolute discretion.

**SECTION 17**  
**SALE OR TRANSFER**

Landlord shall have the right to sell, transfer or assign the Demised Premise ("Conveyance"). In the event of Conveyance, Tenant shall attorn to the purchaser, transferee or assignee ("Transferee") and recognize such Transferee as Landlord under this Lease and Landlord shall be relieved from all subsequent obligations and liabilities under this Lease, provided such obligations are assumed in writing by such Transferee and a copy thereof is provided to Tenant.

**SECTION 18**  
**DEFAULT, RE-ENTRY AND DAMAGES**

**18.1 Default**

The following non-exhaustive list of events shall constitute a default (“Default”) under this Lease:

- (a) Tenant fails to pay within seven (7) days of the due date any Base Rent or Additional Rent due hereunder on the day the same shall be due;
- (b) Tenant fails to perform any of the terms and conditions under this Lease, other than the payment of Base Rent or Additional Rent, and such failure remains uncured for thirty (30) days following written notice;
- (c) Tenant not operating the Henry Ford Academy Elementary School (“Elementary School”) at the location in accordance with the Charter School Contract.
- (d) Tenant has abandoned or vacated the Demised Premises;
- (e) Tenant fails to meet any one or more of the following performance standards relating to its operation of a public school academy as an Elementary School on the Demised:
  - 1. At least 90% of the graduating 5th graders enter a Tenant middle school the following fall every year beginning in September 2013;
  - 2. An average daily attendance rate of 92.5%; and
  - 3. Meet the Adequate Yearly Progress (AYP) requirements of *No Child Left Behind*;
- (f) The failure of Tenant to establish policies required by the Charter School Contract when and as required by the Charter School Contract.
- (g) The termination or expiration of the Charter School Contract or any failure to renew or extend the Charter School Contract for any reason or no reason; unless Tenant enters into a replacement charter contract which authorizes Tenant to operate a public school academy at the Demised Premises for the same grade range as the Charter School Contract.
- (h) The failure of Tenant to comply with any Reporting Requirement set forth in Section 19 of this Agreement.
- (i) Tenant fails to maintain a minimum Lease Payment Coverage Ratio of not less than 1.10 to 1.00, measured as of the end of each of Tenant’s fiscal years, commencing with Tenant’s fiscal year beginning on July 1, 2012. For the purposes hereof, the “Lease Payment Coverage Ratio” shall be determined by dividing, with respect to Tenant’s operation of the School, (A) Tenant’s Earnings

Before Interest, Taxes, Depreciation, Amortization and Tenant's Rent obligations under this Lease by (B) the sum of Tenant's interest expense, Tenant's rent obligations under this Lease, and Tenant's Current Portion of Long-Term Debt for the prior period.

## **18.2 Landlord's Remedies Upon Default**

(a) In the event of the occurrence of a Default, in addition to all of its other remedies under this Lease and available at law or in equity, Landlord shall have the right to re-enter the Demised Premises, in accordance with applicable law, to remove all persons and property therefrom. Upon the occurrence of a Default, Landlord, at its option, may either terminate this Lease, or without terminating this Lease, relet the Demised Premises or any part thereof on such terms and conditions, as Landlord deems advisable in its sole and absolute discretion. No such eviction, entry or taking of possession of the Demised Premises, whether through summary eviction proceedings or by self-help, shall be construed as an election on its part to terminate this Lease unless Landlord provides written notice of such intention to Tenant or unless termination is declared by a court of competent jurisdiction.

(b) In addition to any other remedy provided for herein, if Landlord brings suit to recover possession of the Demised Premises or money due under this Lease or a suit for the breach of an obligation Tenant should have performed under the Lease and if the Landlord prevails, the Tenant shall pay the Landlord for expenses incurred in the action, including reasonable attorneys fees. Such expenses shall be deemed to have an incurred when the action commences and shall be enforced whether or not the action is prosecuted to judgment. In the event Tenant prevails in any lawsuit in connection with the Demised Premises, Tenant shall have its expenses, including reasonable attorney fees, paid by Landlord.

## **18.3 Waiver of Jury Trial and Counterclaim**

In the event Landlord commences any proceedings for non-payment of Rent, Additional Rent, or any other amount payable to Landlord by Tenant, Tenant shall not interpose any counterclaim of whatsoever nature or description in any such proceeding unless same is a compulsory or mandatory counterclaim. This shall not, however, be construed as a waiver of Tenant's right to assert such a claim in any separate action brought by Tenant. Landlord and Tenant waive trial by jury in any action or proceeding brought by either party on any matter whatsoever arising out of or in any way connected with this Lease, the relationship of lessor and lessee, Tenant's use or occupancy of the Demised Premises, or any claim of injury or damage.

## **SECTION 19** **REPORTING**

### **19.1 School Reports**

During the Lease Term, as soon as available, but in no event after the period set forth herein, Tenant shall furnish, upon written request and to the extent not otherwise

prohibited by law, or, where information is maintained on government online databases or formats, make available to Landlord the following documents with respect to the School:

- a) within sixty (60) calendar days after the beginning of each fiscal year of Tenant, annual enrollment for the School, including, without limitation, federal free and reduced-price lunch eligibility and special education and ethnicity enrollment;
- b) within thirty (30) calendar days of Tenant's receipt as to the School and to the extent not otherwise prohibited by applicable law: (A) "Annual School Report Card" required by the No Child Left Behind Act, and the following additional information if not included in the Annual School Report Card: performance on mandated state educational tests and internally-administered tests; (B) all programmatic quality reporting, including reports to the charter authorizer; and (C) all material correspondence from the charter authorizer; and
- c) Promptly after request, Tenant shall furnish to Landlord such additional information, reports, statements, and certificates with respect to the School as Landlord may from time to time reasonably request, in form and content reasonably satisfactory to the Landlord. Tenant and Landlord acknowledge and agree that certain student-identifying information (including, without limitation, names and social security numbers) may be redacted from documents provided to Landlord pursuant to this 19.1 to protect the privacy of students of the School prior to such documents being delivered to Landlord.

## **19.2 Financial Reports**

Tenant shall deliver to Landlord (i) within one hundred twenty (120) days of the end of Tenant's fiscal year, financial statements for Tenant (including, at a minimum, a balance sheet, an income statement showing breakeven or better financial performance, and a statement of cash flow), which financial statements include specific details for Tenant Business and are certified as true and correct by an authorized officer of Tenant, in a form reasonably satisfactory to Landlord in all respects and audited by an independent certified public accountant reasonably approved by Landlord. All financial statements shall be prepared in accordance with generally accepted accounting practices for public school accounting in the State of Michigan. Tenant shall deliver to Landlord such other financial information with respect to Tenant and the Demised Premises as Landlord may reasonably request from time to time.

## **SECTION 20** **QUIET ENJOYMENT**

Landlord covenants that so long as no Tenant Default has occurred and is continuing, Tenant may peacefully and quietly hold and enjoy the Demised Premises for the Lease Term without interference by Landlord or any person claiming by, through or under Landlord.

**SECTION 21**  
**SUBORDINATION**

This Lease is and shall be subject and subordinate to all mortgages and ground or underlying leases which may now or hereafter affect the Demised Premises, and to all renewals, modifications, consolidations, replacements and extensions thereof. In confirmation of such subordination, Tenant shall execute and deliver upon demand such further instrument or instruments subordinating this Lease to the lien of any such mortgage or mortgages as shall be desired by Landlord, as well as any mortgages or proposed mortgagees. Any mortgagee of the Landlord shall be entitled to rely upon and enforce the terms of this Section 21 as a third party beneficiary.

**SECTION 22**  
**SIGNS**

Tenant will not place or cause to be placed or maintained any sign or advertising matter of any kind anywhere on the Demised Premises, except in the interior thereof, without Landlord's prior written approval.

**SECTION 23**  
**OPTION TO EXTEND**

**23.1 Option to Extend Lease Term**

So long as no Tenant Default has occurred and is continuing, Tenant shall have three options to extend the Lease Term for three additional ten (10) year terms on the same terms and conditions set forth herein (each an "Option to Extend"). The Base Rent for each Lease Year of such extended term(s) shall be as set forth in Exhibit B. Each Option to Extend the Lease Term is personal to the Tenant and is not transferable or exercisable by any transferee.

**23.2 Exercise of Option**

Tenant may exercise an Option to Extend by providing Landlord with written notice of exercise not more than fifteen (15) months or less than twelve (12) months prior to the expiration of the then current ten (10) year Lease Term.

**SECTION 24**  
**MISCELLANEOUS**

**24.1 Condition of Demised Premises**

This Lease and exhibits attached hereto and forming a part hereof, set forth all of the covenants, agreements, stipulations, promises, conditions, understandings and representations, hereinafter collectively "Representations" between Landlord and Tenant concerning the Demised Premises and the buildings and improvements to be constructed thereon. Landlord and Tenant agree that there are no Representations other than set forth herein and agree to make no claims against each other based upon Representations not set forth herein.



## **24.2 Modification**

This Lease shall not be modified or amended unless by a writing signed by Landlord and Tenant.

## **24.3 Notices**

Any notices or demands required under this Lease shall be in writing addressed to the party at the address set forth Section 1, except that after the Commencement Date any notice to Tenant shall be given in writing at the Demised Premises or such changed address provided in writing by such party and shall be served as follows: (a) by personal service with service being effective upon delivery, or (b) by certified mail, return receipt requested, with service being effective two (2) days after mailing, or (c) by telecopy, facsimile or other form of telecommunication, with service being effective upon the date of transmission with reasonable evidence that the transmission was sent, or (d) by recognized overnight courier service, with service being effective one (1) day after delivery. prepaid, to such courier service.

## **24.4 Survival**

Any obligation of Tenant under this Lease which is not performed in full prior to the termination of this Lease shall survive the termination of this Lease and continue in full force and effect until performed in full.

## **24.5 Captions and Section Numbers**

The captions, section numbers, article numbers, and index appearing in this Lease are inserted only as a matter of convenience and in no way define, limit, construe, or describe the scope or intent of such sections or articles of this Lease nor in any way affect this Lease.

## **24.6 Construction**

This Lease shall be construed and enforced in accordance with the laws of the State of Michigan. If any provision of this Lease, or the application thereof to any person or circumstances, shall, to any extent be invalid or unenforceable, the remaining provisions of this Lease shall not be affected thereby and shall be valid and enforceable.

## **24.7 Binding Effect**

This Lease shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors, assigns and permitted transferees.

## **24.8 Joint Drafting**

Landlord and Tenant acknowledge and agree that each has joined in and contributed to the drafting of this Lease and as a result there shall be no presumption in construing the provisions of this Lease favoring or burdening either Landlord or Tenant based upon draftsmanship or similar rule of construction.

## **24.9 Counterparts**

This Lease may be executed in any number of separate counterparts, each of which, when executed and delivered, shall be an original, but such counterparts shall together constitute one and the same document.

[Remainder of Page Intentionally Blank]

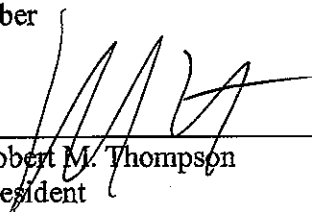
IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the date first written above.

**LANDLORD:**

**TEF-THREE, LLC**, a Michigan limited liability company

By: Thompson Educational Foundation, its sole member

By: \_\_\_\_\_

  
Robert M. Thompson  
President

**TENANT:**

**THE PUBLIC SCHOOL ACADEMIES OF DETROIT**, a Michigan nonprofit corporation

By: \_\_\_\_\_

Edward Parks, President

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the date first written above.

**LANDLORD:**

**TEF-THREE, LLC**, a Michigan limited liability company

By: Thompson Educational Foundation, its sole member

By: \_\_\_\_\_

Robert M. Thompson  
President

**TENANT:**

**THE PUBLIC SCHOOL ACADEMIES OF DETROIT**, a Michigan nonprofit corporation

By: \_\_\_\_\_

  
Edward Parks, President

**EXHIBIT A**  
**Legal Description**

LAND IN THE CITY OF DETROIT, COUNTY OF WAYNE, STATE OF MICHIGAN BEING MORE PARTICULARLY DESCRIBED AS:

PARCEL NO. 1

LOTS 137 THRU 130 AND LOTS 83 THRU 77 AND THE EAST 16 FEET OF LOT 76 AND VACATED ALLEYS ADJACENT, VOIGT PARK SUBDIVISION, AS RECORDED IN LIBER 22 PAGE 94 OF PLATS, WAYNE COUNTY RECORDS.

COMMONLY KNOWN AS: 10225 THIRD STREET  
TAX PARCEL I.D.: WARD 4 ITEM 002780

AFTER A FIELD SURVEY BY NOWAK & FRAUS ENGINEERS, PARCEL NO. 1 IS MORE PARTICULARLY DESCRIBED AS:

BEGINNING AT THE SOUTHEASTERLY CORNER OF LOT 130 OF "VOIGT PARK SUBDIVISION", AS RECORDED IN LIBER 22 OF PLATS, PAGE 94, WAYNE COUNTY RECORDS, SAID POINT ALSO BEING THE NORTHWESTERLY CORNER OF THE THIRD STREET (80' WIDE) AND GLYNN COURT (80' WIDE) INTERSECTION; THENCE S63°59'51"W, 285.00 FEET ALONG THE NORTHERLY RIGHT-OF-WAY OF SAID GLYNN COURT TO THE SOUTHWESTERLY CORNER OF LOT 137 OF SAID "VOIGT PARK SUBDIVISION"; THENCE N26°00'00"W, 117.00 FEET ALONG THE WESTERLY LINE OF SAID LOT 137 TO THE NORTHWESTERLY CORNER OF SAID LOT 137, SAID POINT BEING ON THE SOUTHERLY LINE OF A 19' WIDE PUBLIC ALLEY; THENCE N63°59'51"E, 19.00 FEET ALONG SAID SOUTHERLY LINE OF SAID ALLEY AND THE NORTHERLY LINE OF SAID LOT 137, TO A POINT ON THE EASTERLY LINE OF SAID ALLEY; THENCE N26°00'00"W, 143.17 FEET ALONG SAID EASTERLY LINE OF SAID ALLEY TO A POINT ON THE SOUTHERLY RIGHT-OF-WAY OF CALVERT AVENUE (66' WIDE), AND THE NORTHERLY LINE OF LOT 76 OF SAID "VOIGT PARK SUBDIVISION"; THENCE N63°59'51"E, 266.00 FEET ALONG SAID SOUTHERLY RIGHT-OF-WAY OF SAID CALVERT AVENUE TO THE NORTHEAST CORNER OF LOT 83 OF SAID "VOIGT PARK SUBDIVISION", SAID POINT ALSO BEING THE SOUTHWESTERLY CORNER OF THE SAID THIRD STREET AND SAID CALVERT AVENUE INTERSECTION; THENCE S26°00'00"E, 260.17 FEET ALONG THE WESTERLY RIGHT-OF-WAY LINE OF SAID THIRD STREET TO THE POINT OF BEGINNING.

CONTAINING 71,428 SFT OR 1.64 ACRES, MORE OR LESS.

PARCEL NO. 2

LOT 138, VOIGT PARK SUBDIVISION, AS RECORDED IN LIBER 22 PAGE 94 OF PLATS, WAYNE COUNTY RECORDS.

COMMONLY KNOWN AS: 860 GLYNN COURT  
TAX PARCEL NO. WARD 4 ITEM 002779

PARCEL NO. 3

LOT 75, VOIGT PARK SUBDIVISION, AS RECORDED IN LIBER 22 PAGE 94 OF PLATS, WAYNE COUNTY RECORDS.

COMMONLY KNOWN AS: 861 CALVERT  
TAX PARCEL NO. WARD 4 ITEM 002819

PARCEL NO. 4

LOT 74, VOIGT PARK SUBDIVISION, AS RECORDED IN LIBER 22 PAGE 94 OF PLATS, WAYNE COUNTY RECORDS.

COMMONLY KNOWN AS: 867 CALVERT  
TAX PARCEL NO. WARD 4 ITEM 002820

**EXHIBIT B**  
**Base Rent Schedule**

<b><u>Lease Year</u></b>	<b><u>Base Rent</u></b>
2012	70,000
2013	185,000
2014	188,700
2015	192,474
2016	196,323
2017	200,250
2018	210,000
2019	535,000
2020	545,700
2021	556,614
2022	567,746
2023	579,101
2024	590,683
2025	602,497
2026	614,547
2027	626,838
2028	639,375
2029	652,162
2030	665,205
2031	678,509
2032	692,080
2033	705,921
2034	720,040
2035	734,440
2036	749,129
2037	764,112
2038	779,394
2039	794,982
2040	810,881
2041 on	827,099