

**LEASE**

**Between**

**LANDLORD: STARR COMMONWEALTH  
a Michigan nonprofit corporation,**

**And**

**TENANT: STARR DETROIT ACADEMY,  
a Michigan nonprofit corporation**

**Dated as of August 30, 2012**

## LEASE

### SECTION 1 SCHEDULE

**LANDLORD:** NAME: STARR COMMONWEALTH  
ADDRESS: 13725 Starr Commonwealth Road  
Albion, MI 49224

**TENANT:** NAME: STARR DETROIT ACADEMY  
ADDRESS: 19360 Harper  
Harper Woods, MI 48225

**DEMISED PREMISES:** Land located in the City of Harper Woods, Wayne County, Michigan and two (2) two story buildings of approximately 91,945 and 12,045 square feet, respectively, located at 19360 Harper, as described in legal description attached as Exhibit A (the "Site"), together with all improvements located thereon (the "Demised Premises").

**LEASE TERM:** July 1, 2012 until June 30, 2017 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 1, 2012.

**SCHOOL YEAR** September 1 to June 30.

**TERMINATION DATE:** June 30, 2017.

**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, or automatically and immediately terminated in accordance with the termination provisions in a certain Contract To Charter A Public School Academy Issued To Starr Detroit Academy dated January 11, 2012 by and between the Central Michigan University Board of Trustees ("Authorizer") and the Starr Detroit Academy (the "Charter School Contract"). This Lease shall automatically terminate with no penalty for early termination if the Charter School Contract is terminated, expires or fails to be renewed or extended 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.

**SECTION 3**  
**BACKGROUND AND UNPROFESSIONAL CONDUCT CHECKS**

Pursuant to the requirements of Sections 1230, 1230a and 1230b of the Michigan Revised School Code, Landlord shall obtain a criminal history check through the Michigan State Police as well as a criminal records check through the FBI and an unprofessional conduct check from current and/or previous employers, with respect to all persons assigned by Landlord to the Demised Premises under this Lease. Landlord agrees that it shall not assign any of its employees, agents or other individuals to perform any services under this Lease where such individuals would regularly and continuously work in the Demised Premises contrary to the requirements of Sections 1230, 1230a and 1230b of the Michigan revised School Code.

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

**4.1 Possession and Commencement of Lease Term**

The Rent, as defined herein, due under this Lease and the term of this Lease shall commence on the Commencement Date and Tenant hereby acknowledges that it has been given possession of the Demised Premises on or before the Commencement Date.

## **4.2 Memorandum**

Upon request of the Landlord, Tenant shall join with Landlord in the execution of a written memorandum confirming the Commencement Date and Termination Date of the Lease Term ("Memorandum"). 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 advance on the Commencement Date and 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 the last year of the Lease Term, which shall expire on the Termination Date. The first Lease Year shall begin on the Commencement Date if the Commencement Date shall

occur on the first day of the month; if not, then the first Lease Year shall commence on the first day of the month following the Commencement Date. Each succeeding Lease Year shall commence on the anniversary of the commencement of the first Lease Year. If the Commencement Date is other than the first day of a month, then the period between the Commencement Date and the first day of the month following the Commencement Date shall be added and be part of the first Lease Year.

## **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 the purpose of establishing, managing, and operating a public school academy and attendant office use ("Tenant Business"), and for no other purpose without the prior written consent of Landlord, which may be granted or withheld in its sole and absolute discretion. 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 agents, officers, directors, shareholders, employees, partners, principals, contractors, consultants and representatives (disclosed or undisclosed) (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 agents, officers, directors, shareholders, employees, partners, principals, contractors, consultants and representatives (disclosed or undisclosed) (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 Dollars (\$10,000,000) 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 any work covered by warranties Landlord receives from any construction contractor, subcontractor or materialman providing services and/or material in connection with any 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.



## **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:

(a) 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;

(b) 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;

(c) 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

(d) 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**

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 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 and for any other removal by Tenant, 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. The following actions if undertaken by the Tenant also constitute a transfer for purposes of this Section: (a) change in Tenant's form of organization (e.g., a change from a partnership to limited liability company); (b) transfer of 51% or more of Tenants assets, shares (except shares transferred in the normal course of public trading), membership

interests, partnership interests or other ownership interests; or transfer of effective control of Tenant) (collectively, together with the preceding sentence, referred to as "Transfer"). Tenant shall provide written notice of the occurrence of any Transfer to the Landlord at least thirty (30) days prior to the proposed Transfer, including the Transfer details.

**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 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 twenty (20) days following written notice, except that (1) in an emergency Landlord may require Tenant to perform this obligation in a reasonable time of less than 20 days and (2) if Tenant begins performing this obligation within 20 days after notice to Tenant of this failure, but it will reasonably take more than 20 days to complete performing the obligation, then Tenant will have a reasonable amount of time to complete performing the obligation so long as Tenant diligently pursues the performance of such obligation to completion.
- (c) Tenant not operating the Tenant Project Business at the location in accordance with the Charter School Contract.
- (d) Tenant has abandoned or vacated the Demised Premises;
- (e) Tenant consummates a Transfer as defined in Section 16 above without the prior written consent of the Landlord.
- (f) Tenant fails to discharge any attachment or levy on Tenant's interest in this Lease within 15 days after the attachment or levy encumbers this Lease.
- (g) Tenant fails to cause any of the following proceedings to be vacated or dismissed within 30 days after they are commenced: (1) the appointment of a receiver or trustee of

the assets of Tenant or any guarantor of this Lease; (2) the voluntary or involuntary bankruptcy of Tenant or any guarantor of this Lease; or (3) any assignment for the benefit of creditors of the assets of Tenant or any guarantor of this Lease.

(h) Tenant is named on the list of Specially Designated Nationals and Blocked Persons maintained by the Office of Foreign Assets Control of the United States Department of the Treasury or any such similar list maintained by the state or federal government.

(i) The failure of Tenant to establish policies required by the Charter School Contract in a timely manner, as required by such Charter School Contract, and such failure continues for twenty (20) days after notice to Tenant of the failure.

(j) Tenant fails to meet any one or more of the following performance standards relating to its operation for two consecutive School Years:

1. Students enrolled for the full academic term who are below grade level will on average make greater than 1 year's growth as measured on the NWEA assessment. Students enrolled for the full academic term who are at grade level will on average make 1 year's growth as measured on the NWEA assessment.

2. Students enrolled for the full academic term who are below grade level will on average make greater than 1 year's growth as measured on the NWEA assessment. Students enrolled for the full academic term who are at grade level will on average make 1 year's growth as measured on the NWEA assessment.

3. By the 8th grade, 90% or more of students who have been enrolled for two or more years will self-report a desire to pursue higher level learning opportunities as measured by standardized interest surveys.

4. By the 8th grade, 90% or more of students who have been students enrolled for two or more years will demonstrate the acquisition of appropriate social skills and behaviors as measured by positive citizenship reports across all classes and activities.

5. Average parent satisfaction with the academic program, as measured by an annual survey at the conclusion of the school year, will exceed 85%.

6. Tenant's students will average 90% daily student attendance each school year.

7. Tenant will maintain organizational strength by demonstrating fiduciary and financial responsibility.

(i) Budgets for each School Year demonstrate effective allocation of financial resources to ensure-effective delivery of Tenant's mission as measured by a yearly balanced budget submitted to the Authorizer.

(ii) Budgets will be reviewed monthly by Tenant's Board of Directors.

(iii) External, annual audit reports demonstrate that Tenant meets or exceeds professional accounting standards.

In the event Tenant fails to meet any one or more of the performance standards set forth in this subsection (j) above relating to its operation for two consecutive School Years, then an action plan will be adopted by Tenant based upon approval by Starr Commonwealth Educational Services, Inc. Landlord and Tenant shall develop mutually acceptable guidelines for calculating the performance standards relating to Tenant's operation.

## **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**

## REQUIRED REPORTING

### **19.1 Tenant Reports**

During the Lease Term, as soon as available, but in no event after the period set forth herein, Tenant shall make available to Landlord upon Landlord's request, the following documents with respect to Tenant:

(a) within sixty (60) calendar days after the beginning of each school year of Tenant, annual enrollment for Tenant, including, without limitation, federal free and reduced-price lunch eligibility and special education and ethnicity enrollment; and

(b) within thirty (30) calendar days of Tenant's receipt as to Tenant 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 Authorizer.

### **19.2 Financial Reports**

During the Lease Term, as soon as available, but in no event later than one hundred twenty (120) days of the end of Tenant's fiscal year or as otherwise set forth below, Tenant shall make available to Landlord upon Landlord's request, financial statements for Tenant including, at a minimum:

(a) Tenant's board adopted budget prior to the commencement of Tenant's fiscal year, which shall not be a deficit budget;

(b) monthly financial statements in a timely fashion; and

(c) 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. If the annual audited financial statements reflect a year-end excess of annual expenses over annual revenues (which include capital contributions made by members of Tenant and charitable contributions made to Tenant), it shall not constitute a default under this Lease but Landlord may terminate this Lease unless Tenant provides Landlord with (i) a deficit elimination plan, adopted in accordance with State law, within ninety (90) days of such audit that shall show a means by which the shortfall shall be corrected, and (ii) a written approval of such plan by the State of Michigan within one hundred twenty (120) days of the date of the audit.

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, the Tenant

Business, and the Demised Premises as Landlord may reasonably request from time to time.

**SECTION 20**  
**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. Tenant hereby irrevocably appoints Landlord the attorney-in-fact of Tenant to execute and deliver any such instrument or instruments for and in the name of Tenant. Any mortgagee of the Landlord shall be entitled to rely upon and enforce the terms of this Section 20 as a third party beneficiary.

**SECTION 21**  
**QUIET ENJOYMENT**

Landlord covenants that so long as no 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 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 Default has occurred and is continuing, Tenant shall have an option to extend the Lease Term on the same terms and conditions set forth herein ("Option to Extend"). The Base Rent for each Lease Year of the extended term shall be as set forth in Exhibit B. The 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 the 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 initial six (6) year Lease Term. Any such extension to the term of this Lease shall be evidenced in a written amendment to this Lease.

**SECTION 24**  
**RELEASE AND WAIVER**

**24.1 Limitation of Landlord's Liability**

Except as otherwise expressly provided in this Lease, neither Landlord nor Landlord's agents, officers, directors, shareholders, employees, partners, principals, contractors, consultants and representatives (disclosed or undisclosed) (together "Landlord Parties") shall be liable to Tenant or Tenant's agents, employees, contractors, invitees or licensees or any other occupant of the Demised Premises (together "Tenant Parties"), and Tenant hereby waives and releases Landlord and Landlord Parties from any claims, losses, liabilities, obligations, or damage Landlord and Landlord Parties incur in connection with or arising from any injury to Tenant or to any other person or for any damage to, or loss (by theft or otherwise), of any of Tenant's property or of the property of any other person (together "Property Loss"), irrespective of the cause of such injury, damage or loss (including the acts or negligence of any adjacent or neighboring property or caused by operators in construction of any private, public or quasi-public work), unless due to the gross negligence or intentional misconduct of Landlord or Landlord Parties, it being understood that no property, other than such as might normally be brought upon or kept in the Demised Premises as incidental to the reasonable use of the Demised Premises for the purposes herein permitted will be brought upon or be kept in the Demised Premises; provided, however, that even if due to any such gross negligence or intentional misconduct of Landlord or Landlord's Parties, Tenant waives any claim for special, speculative, punitive or consequential damages in connection therewith to the full extent permitted by law. Any employee of Tenant to whom any property shall be entrusted by or on behalf of Tenant shall be deemed to be acting as Tenant's agent with respect to such property and neither Landlord nor Landlord's Parties shall be liable for any loss of or damage to any such property by theft or otherwise.

**24.2 Liability for Performance by Landlord**

Except as otherwise expressly provided in this Lease, neither any (a) performance by Landlord, Tenant or others, of any repairs, improvements, alterations, additions, installations, substitutions, betterments or decorations in or to the Demised Premises, (b) failure of Landlord or others to make any repairs or improvements, (c) damage to the Demised Premises or Tenant's property therein, (d) injury to any persons caused by other tenants or persons on the Demised Premises, or by operations in the construction of any private, public or quasi-public work, or by any other cause, (e) latent defect in the Demised Premises or any buildings or other improvements thereon, (f) inconvenience or annoyance to Tenant or injury to or interruption of Tenant's business by reason of any of the events or occurrences referred to in the foregoing subdivisions (a) through (e) shall impose any liability on Landlord to Tenant, other than as may be imposed by law upon Landlord for its gross negligence or intentional misconduct or the gross negligence or intentional misconduct of its agents in the operation or maintenance of the Demised

Premises or any buildings or other improvements thereon or for the breach by Landlord of any express covenant of this Lease on Landlord's part to be performed.

**SECTION 25**  
**MISCELLANEOUS**

**25.1 Condition of Demised Premises**

Tenant acknowledges that Tenant is fully familiar with the Demised Premises and the physical and environmental condition thereof. Tenant accepts the Demised Premises in the existing condition and state of repair, "as is," "where is," and Tenant agrees that, except as otherwise expressly made under this Lease, no representations, statements or warranties, express or implied, have been made by or on behalf of Landlord with respect to the Demised Premises or the transaction contemplated by this Lease, the status of title to the Demised Premises, the physical condition thereof, the environmental condition thereof, the tenants and occupants thereof, the zoning or other laws, regulations, rules and orders applicable thereto, or the use that may be made of the Demised Premises. Tenant has relied on no such representations, statements or warranties, and Landlord is not liable for any latent or patent defects in the Demised Premises.

**25.2 Modification**

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

**25.3 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.

**25.4 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.

**25.5 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.

**25.6 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.

**25.7 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.

**25.8 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.

**25.9 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.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the 30<sup>th</sup>  
day of August, 2012

**LANDLORD:**  
**STARR COMMONWEALTH,**  
a Michigan nonprofit corporation

By: Christopher L. Smith  
Christopher L. Smith

Its: Executive Vice President & CFO

By: Martin L. Mitchell  
Martin L. Mitchell

Its: President and CEO

**TENANT:**  
**STARR DETROIT ACADEMY,**  
a Michigan nonprofit corporation

By: S. James Hall  
Its: PRESIDENT

## EXHIBIT A

**Also known as:        19360 Harper, Harper Woods, County of Wayne, Michigan**

Situated in the City of Harper Woods, Wayne County, Michigan, that part of Private Claim 617 and Private Claim 618, described as: commencing at the westerly most corner of Lot 1 of Grosse Pointe Homes Subdivision as recorded in Liber 71 of Plats, Page 76 of Wayne County Records the same being the intersection of the easterly line of Tyrone Avenue (60' right of way) with the northerly line of Bournemouth Avenue (60' right of way); thence along the said northerly line of Bournemouth Avenue extended, north 61 degrees 12 minutes 30 seconds west 60.00 feet to the intersection of the westerly line of said Tyrone Avenue with said northerly line of Bournemouth Avenue and the point of beginning; thence along the said northerly line of Bournemouth Avenue, north 61 degrees 12 minutes 30 seconds west 260 feet; thence along a line parallel with said westerly line of Tyrone Avenue, north 29 degrees 13 minutes 12 seconds east 264.00 feet; thence along a line parallel to said northerly line of Bournemouth Avenue, north 61 degrees 12 minutes 30 seconds west 728.11 feet to the easterly line of Harper Avenue (variable right of way); thence along said easterly line of Harper Avenue, North 25 degrees 55 minutes 34 seconds east 307.19 feet to the northerly line of Private Claim 617 also being the southerly line of Private Claim 618; thence along said northerly line of Private Claim 617 south 61 degrees 13 minutes 12 seconds east 751.84 feet; thence parallel with said westerly line of Tyrone Avenue, north 29 degrees 13 minutes 12 seconds east 122.29 feet; thence north 51 degrees 24 minutes 55 seconds east 142.75 feet; thence parallel with said westerly line of Tyrone Avenue, north 29 degrees 13 minutes 12 seconds east 282.65 feet; thence south 61 degrees 18 minutes 27 seconds east 200.00 feet to said westerly line of Tyrone Avenue; thence along said westerly line of Tyrone Avenue, south 29 degrees 13 minutes 12 seconds west 1108.02 feet to the point of beginning.

**EXHIBIT B**

**Base Rent Schedule**

July 1, 2012 to June 30, 2013	\$25,000/Month
July 1, 2013 to June 30, 2014	\$26,000/Month
July 1, 2014 to June 30, 2015	\$27,000/Month
July 1, 2015 to June 30, 2016	\$28,500/Month
July 1, 2016 to June 30, 2017	\$30,000/Month

During any period of lease extension as provided in Paragraph 23.1, Landlord, at its option, may increase rent at a rate equal to the change in consumer price index during the prior one year period.

DETROIT 51270-1 1232942v8