

INCENTIVE AGREEMENT FOR  
TAX ABATEMENT TO THE ADVISORY BOARD COMPANY

September 16, 2015

The District of Columbia (“**District**”) and The Advisory Board Company (“**Company**”) have entered into this Incentive Agreement for Tax Abatement to The Advisory Board Company (“**Incentive Agreement**”) for the purposes of memorializing the terms that will govern the tax abatement authorized under the Local Jobs and Tax Incentive Act of 2015 (the “**Act**”).

1. **THE COMPANY**

The Company, currently located at 2445 M Street NW, Washington, D.C., is a research, technology, and consulting firm that specializes in health care and higher education.

2. **LEASE PROVISIONS**

The Company shall execute a lease (“**Lease**”) in the District of Columbia for the lease of premises (“**Lease Premises**”) of at least 425,000 square feet of net rentable area in a building located on Lots 25, 39, 41, 800, 825, 830, 831 and 832 in Square 450 (“**Property**”) for its corporate headquarters. The execution of the Lease by all parties shall occur in 2015 and the date on which the Lease is executed shall be called the “**Lease Execution**.” The term of the Lease shall be no less than 15 years from “**Lease Commencement**” (as defined in the Act).

Although not a requirement of this Incentive Agreement, it is understood that the Company will serve as the anchor tenant for a newly constructed office building in the District of Columbia.

3. **ABATEMENT TERMS**

Subject to the terms of the Act, the real property tax abatement (“**Abatement**”) will be for the “**Abatement Period**” (as defined in the Act). Subject to the terms of the Act, the Property will be eligible to receive a maximum Abatement of \$60,000,000 (no more than \$6,000,000 per tax year) based upon the hiring performance provided herein and in the Act and fulfillment of special public benefits set forth in the Community Benefits Agreement (the “**Community Benefits Agreement**”).

4. **ABATEMENT PROVISIONS**

In order to receive the maximum Abatement set forth herein, the Company (together with its subsidiaries and affiliates) shall have hired an aggregate of 1,000 “**District Residents**” (as defined in the Act) by September 30, 2029. Those District Residents must be “**Net New District FTE Hires**” (as defined in the Act).

To receive the maximum Abatement in a given tax year of the Abatement Period, the Company shall accomplish three thresholds:

- (1) The “**Resident Employment Baseline**” (as defined in the Act), which is hereby established as 865 District Residents, shall have been maintained as of the preceding Annual Reporting Date.
- (2) The “**Total Employment Baseline**” (as defined in the Act), which is hereby established as 2000 “**FTEs**” (as defined in the Act), shall have been maintained as of the preceding Annual Reporting Date. The Total Employment Baseline is inclusive of the Resident Employment Baseline.
- (3) The “**Accumulated New District Resident Hires**” (as defined in the Act) thresholds shall be calculated by using a base of 100 Net New District FTE Hires to have been hired by the first Annual Reporting Date, with an additional 100 Net New District FTE Hires added to the base for each subsequent Annual Reporting Date, with the goal of having 1000 Net New District FTE Hires by October 30, 2029. For the avoidance of doubt, the Company is permitted to carryover (i.e., count) all Accumulated New District Resident Hires from and after the Lease Execution to satisfy the Accumulated New District Resident Hires for a particular year such that the Company is given full credit for its hiring efforts of District Residents from and after the Lease Execution.

| <u>Reporting Period</u> | <u>Accumulated New District Resident Hires</u>  |
|-------------------------|---|
| 10/1/19-9/30/20         | 100 (for a total of at least 965 District Residents as of the First Annual Reporting Date)    |
| 10/1/20-9/30/21         | 200 (for a total of at least 1065 District Residents as of the Second Annual Reporting Date)  |
| 10/1/21-9/30/22         | 300 (for a total of at least 1165 District Residents as of the Third Annual Reporting Date)   |
| 10/1/22-9/30/23         | 400 (for a total of at least 1265 District Residents as of the Fourth Annual Reporting Date)  |
| 10/1/23-9/30/24         | 500 ((for a total of at least 1365 District Residents as of the Fifth Annual Reporting Date)  |
| 10/1/24-9/30/25         | 600 (for a total of at least 1465 District Residents as of the Sixth Annual Reporting Date)   |
| 10/1/25-9/30/26         | 700 (for a total of at least 1565 District Residents as of the Seventh Annual Reporting Date) |
| 10/1/26-9/30/27         | 800 (for a total of at least 1665 District Residents as of the Eighth Annual Reporting Date)  |
| 10/1/27-9/30/28         | 900 (for a total of at least 1765 District Residents as of the Ninth Annual Reporting Date)   |
| 10/1/28-9/30/29         | 1000(for a total of at least 1865 District Residents as of the Tenth Annual Reporting Date)   |

## 5. INCENTIVE CALCULATIONS

On an annual basis, the Abatement will be determined as follows:

- (1) If the Total Employment Baseline is exceeded and the annual requirements for the Accumulated New District Resident Hires are met, as measured on the applicable Annual Reporting Date, then the Abatement for such tax year shall equal \$6,000,000;
- (2) If the annual total of Net New District FTE Hires is less than the requirements for the Accumulated New District Resident Hires for the same period as determined by this Incentive Agreement, but the Total Employment Baseline is exceeded, then the Abatement for each such tax year shall be calculated based on the ratio of actual Net New District FTE Hires to the requirement for Accumulated New District Resident Hires as of the Annual Reporting Date; and
- (3) If there are fewer FTEs than the Total Employment Baseline as of an Annual Reporting Date, then the Abatement for each such tax year shall be \$0.

Examples of calculations of the “Annual Abatement” (as defined in the Act) are included in the below chart:

| <b>RESIDENT EMPLOYMENT BASELINE: 865</b>  |   |  |  |   |  |  |
|---|---|--|--|---|--|--|
| <b>ACCUMULATED NEW DISTRICT RESIDENT HIRES annual requirement: (1,000/10) = 100</b> |   |  |  |   |  |  |
| <b>Reporting Period</b>   | <b>Accumulated New District Resident Hires - Goal</b> | <b>Net New District FTE Hires Since Lease Execution- as of the Annual Reporting Date</b> | <b>District Resident Hires In The Year</b> | <b>Resident Employment Baseline + Accumulated New District Resident Hires</b> | <b>Resident Employment Baseline + New District FTE Hires</b> | <b>Annual Abatement</b>                      |
| 10/1/19-9/30/20   | 100   | 50   | 50   | 965   | 865+50 = 915   | (50/100)*<br>\$6,000,000 =<br>\$3,000,000    |
| 10/1/20-9/30/21   | 200   | 150  | 100  | 1,065   | 865+150 = 1,015  | (150/200)*<br>\$6,000,000 =<br>\$4,500,000   |
| 10/1/21-9/30/22   | 300   | 300  | 150  | 1,165   | 865+300 = 1,165  | (300/300)*<br>\$6,000,000 =<br>\$6,000,000   |
| 10/1/22-9/30/23   | 400   | 250  | -50  | 1,265   | 865+250 = 1,115  | (250/400)*<br>\$6,000,000 =<br>\$3,750,000   |
| 10/1/23-9/30/24   | 500   | 150  | -100                                       | 1,365   | 865+150 = 1,015  | (150/500)*<br>\$6,000,000 =<br>\$1,800,000   |
| 10/1/24-9/30/25   | 600   | 25   | -125                                       | 1,465   | 865+25 = 890   | (25/600)*<br>\$6,000,000 =<br>\$250,000      |
| 10/1/25-9/30/26   | 700   | -100   | -125                                       | 1,565   | 865-100 = 765  | \$0  |
| 10/1/26-9/30/27   | 800   | 50   | 150  | 1,665   | 865+50 = 915   | (50/800)*<br>\$6,000,000 =<br>\$375,000      |
| 10/1/27-9/30/28   | 900   | 500  | 450  | 1,765   | 865+500 = 1,365  | (500/900)*<br>\$6,000,000 =<br>\$3,333,333   |
| 10/1/28-9/30/29   | 1,000   | 750  | 250  | 1,865   | 865+750 = 1,615  | (750/1,000)*<br>\$6,000,000 =<br>\$4,500,000 |

## 6. CORPORATE TRANSACTIONS

In the event the Company (or a subsidiary of the Company) acquires a controlling interest in another business enterprise that employs District Residents, the number of the acquired company's District Residents at the time of acquisition shall be added to the Resident Employment Baseline for subsequent tax year calculations. Further, the calculation of Net New District FTE Hires in subsequent tax years shall include any Net New District FTE Hires attributable to the acquired business enterprise whether or not the acquired business enterprise continues as a separate legal entity.

In the event the Company (or a subsidiary or affiliate of the Company) sells or otherwise divests, in whole or in part, a division or line of its business to a separate legal entity, there shall be no modification to the Resident Employment Baseline, and the calculation of Net New District FTE Hires in subsequent tax years may, at the Company's election, include the Net New District FTE Hires attributable to that separate legal entity.

## 7. CERTIFICATION

Beginning on October 31, 2020 and for each tax year thereafter until expiration of the Abatement Period, the Company shall provide District with the following information pertaining to the previous tax year: (1) a detailed report in the form attached hereto as Exhibit A (or such other form as agreed upon by District and the Company in writing) ("**Report**"), which Report shall include the Net New District FTE Hires as of September 30 of the previous tax year, including their principal place of residence, employment start date, and salary, the total Net New District FTE Hires since Lease Execution, and the total number of District Residents and (2) a certification of compliance ("**Certification of Compliance**") as required by that certain Community Benefits Agreement by The Advisory Board Company executed by District and the Company as of the date hereof. If the Company fails to deliver to District a complete Report and Certificate of Compliance on or before October 31 following each completed tax year of the Abatement Period, the Property shall not be eligible for the Abatement for the then-current tax year.

After receiving the Report and Certification of Compliance from the Company, District will review and certify within 60 days the real property tax abatement to the Office of Tax and Revenue ("**OTR**") for the previous tax year ("**Certification**"). In the Certification to OTR, District shall provide: (1) the Company's taxpayer identification number and the identity of any directly related entity that may be occupying all or part of the Lease Premises, including the directly related entity's taxpayer identification number; (2) a description of the Lease Premises, by square and lot, parcel, or reservation number, including floor(s), location, and square footage; (3) the date of Lease Commencement and term of the Lease; and (4) any other information District considers necessary.

The Abatement shall be apportioned equally between each tax year's installment billing. The abatement shall be non-refundable and shall not be credited to other tax years.

## 8. FIRST SOURCE COMPLIANCE

Pursuant to D.C. Official Code § 2-219.03a, District has determined that the goal of increasing employment opportunities for residents is best served with the requirements of this Incentive Agreement, which requires 1000 Net New District FTE Hires in order for the Property to be eligible

for the full amount of the Abatement. As such, the Company's compliance with the hiring requirements of this Incentive Agreement shall be deemed compliance with the provisions of D.C. Official Code §2-219.03.

**9. CERTIFIED BUSINESS ENTERPRISE COMPLIANCE**

The Company shall comply with the requirements contained in D.C. Official Code § 2-218.46 with regard to the tenant improvement build-out of the Lease Premises. Specifically, the Company shall subcontract with, or cause the entity undertaking the tenant improvement build-out to subcontract with, small business enterprises (as such term is defined in D.C. Official Code §2-218.02(16)), or, if there are insufficient qualified small business enterprises to completely fulfill the foregoing requirement, then any qualified certified business enterprises (as such term is defined in D.C. Official Code §2-218.02(1D)), for at least thirty-five percent (35%) of the dollar volume of the tenant improvement build-out contract. Each certified business enterprise used to meet the foregoing requirements shall perform at least thirty-five percent (35%) of the contracting effort with its own organization and resources.

**10. REAL PROPERTY TAX LIABILITY DUE DILIGENCE & ENFORCEMENT**

It shall be the sole responsibility of the Company to perform all due diligence regarding its real property tax liability as passed through by the owner of the Property. District shall not be held responsible for any errors related to billing of real property tax liability of the owner of the Property or related parties. District shall maintain the right to request the Company to exercise its right to audit the real property tax liability from the owner for any given tax year of the Abatement Period. Additionally, District shall have the right to request that the Company disclose the findings of the audit.

**11. LIMITED ELIGIBILITY FOR ADDITIONAL REAL PROPERTY TAX INCENTIVES**

During the Abatement Period, the Property shall not be eligible to receive the tax abatement authorized under D.C. Official Code §47-811.03.

**12. CONFLICTS; TERMINATION; LIABILITY**

This Incentive Agreement is subject to the enactment and passage of the Act, as evidenced by an assignment of a D.C. Law designation, and shall not be effective until the same occurs. To the extent the Act, as approved by Council, is in conflict with the terms of this Incentive Agreement, the terms of the Act shall control. District shall have no liability to the Company, the owner of the Property, or any other party if the Act is not approved by Council or if the Act so approved is in conflict with the terms of this Incentive Agreement.

[Signature page follows.]

IN WITNESS WHEREOF, this Incentive Agreement has been executed by the undersigned as of the date first written above.

The Advisory Board Company



Robert Musslewhite, Chief Executive Officer

District of Columbia, by and through the  
Office of the Deputy Mayor for Planning  
and Economic Development

Brian T. Kenner, Deputy Mayor

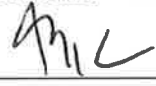
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District of Columbia, by and through the  
Office of the Deputy Mayor for Planning  
and Economic Development

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Brian T. Kenner, Deputy Mayor

**EXHIBIT A**

**INCENTIVE AGREEMENT FOR  
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**ANNUAL REPORT**

Date:

Name of Point of Contact:

Phone Number:

Email Address:

Annual Reporting Date:

Reporting Period (Previous Tax Year):

Number of Net New District FTE Hires as of the preceding Annual Reporting Date: \_\_\_\_\_

The following demographic information for all Net New District FTE Hires is listed on the attached documentation:

- Principal place of residence
- Employment start date
- Salary

Number of FTEs whose primary workplace is located in the District: \_\_\_\_\_

Median Tenure of District Residents: \_\_\_\_\_

Total Net New District FTE Hires since Lease Execution: \_\_\_\_\_

Total Number of District Residents: \_\_\_\_\_

Total Employment Baseline: \_\_\_\_\_



The undersigned officer of The Advisory Board Company (the “**Company**”) hereby certifies on behalf of the Company to the District of Columbia that the statements described above are true and correct in all material respects.

THE ADVISORY BOARD COMPANY

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

