



DANVILLE CITY COUNCIL REGULAR MEETING AGENDA

MUNICIPAL BUILDING

December 16, 2025

7:00 PM

PRESIDING: Alonzo L. Jones, Mayor

**CITY COUNCIL
MEMBERS:** James B. Buckner, Vice Mayor
L.G. "Larry" Campbell, Jr.
Bryant Hood
Barry P. Mayo

Dr. Gary P. Miller
Sherman M. Saunders
J. Lee Vogler, Jr.,
Madison J. Whittle

STAFF: Ken F. Larking, City Manager
Earl B. Reynolds, Jr., Deputy City Manager

W. Clarke Whitfield, Jr., City Attorney
Susan M. DeMasi, City Clerk

The City Council is the City of Danville's legislative body and is composed of nine Council members. Council members are elected to serve a four year term of office and elects one of its own to serve as Mayor and presiding officer for a two year term.

Time and Place of Meeting

The public is invited and encouraged to attend and participate in the City Council meetings. The City Council meets in the City Hall, Fourth Floor, Council Chambers at 7:00 p.m. on the first and third Tuesday of each month. All meetings of the Council are open to the public.

Communications from Visitors

Communication from Visitors is an opportunity for citizens, who have signed up to speak at www.danvilleva.gov/council or by contacting the Office of the City Clerk, to address Council on matters not on the agenda. Citizens who desire to speak on agenda items will be heard when the agenda item is considered. Each speaker shall clearly state his or her name and address, and shall have three uninterrupted minutes. A representative of a group may have up to five uninterrupted minutes to make a presentation. The representative shall identify the group and a group may have no more than one spokesperson. Time will be kept using the electronic timer on the podium.

Guidelines for Public Hearings

For Public Hearings the applicant or his or her representative shall be the first speaker(s). There shall be a time limit of ten (10) minutes for the applicant's or his or her representative's presentation. The presiding officer shall then solicit comments from the public, asking those in favor of the proposal to speak first, and then those opposed to the proposal. Each speaker must clearly state his or her name and address. There shall be a time limit of three (3) minutes for each individual speaker. If the speaker represents a group, there shall be a time limit of five (5) minutes. A speaker representing a group shall identify the group at the beginning of his or her remarks. A group may have no more than one spokesperson. The presiding officer may limit or preclude comment which is repetitive, redundant, cumulative, or irrelevant to the subject of the public hearing. After public comments have been received, in a land use case, the applicant or the representative of the applicant, at his or her discretion, may respond with a rebuttal. There shall be a five (5) minute time limit for rebuttal.

MEETING CALLED TO ORDER

ROLL CALL

INVOCATION - DR. GARY P. MILLER

PLEDGE OF ALLEGIANCE TO THE FLAG

ANNOUNCEMENTS AND SPECIAL RECOGNITION

A. Presentation: Dan River Region Out-of-School Time (OST) Network

Presented by: Cathy Gore, President/CEO
United Way of Danville-Pittsylvania County

Presentation: School Accreditation and Performance Rating Report.

Presented by: Dr. Angela Hairston

Dr. Hairston will share the Accreditation Status and Performance Rating of Each School.
Principals will be Introduced during the report.

MEETING MINUTES

A. Consideration of Approval of Minutes from Regular Council Meeting held on November 18, 2025
Council Letter Number CL - 2501.

Consideration of Approval of Minutes from Regular Council Meeting held on November 18, 2025

NEW BUSINESS

A. Review of General Fund Financials as of November 30, 2025.

Council Letter Number CL - 2383.

Review of General Fund Financials as of November 30, 2025. Financial Statements are included.

B. Consideration of Approving a Plan to Finance Certain Economic Development Projects Through the Issuance of a Lease Revenue Note by the IDA.

Council Letter Number CL - 2506.

A Resolution of the Council of the City of Danville, Virginia Approving a Plan to Finance Certain Economic Development Projects Through the Issuance of a Lease Revenue Note by the Industrial Development Authority of Danville, Virginia.

C. Consideration of the Negotiation, Execution and Delivery of a Commercial Sublease with the IDA for Suite 201 of the Dan River Falls Building.

Council Letter Number CL - 2507.

A Resolution of the Council of the City of Danville, Virginia (Office of Economic Development and Tourism), Authorizing the Negotiation, Execution and Delivery of a Commercial Sublease with the Industrial Development Authority of Danville, Virginia, for a Portion of the Dan River Falls Building, 9,361 Sq. Ft. of Unit 1 (Suite 201), Located at 420 Memorial Drive, Danville, Virginia 24541.

- D. Consideration of the Negotiation, Execution and Delivery of a Commercial Sublease with the IDA for Suite 101 at the Dan River Falls Building.

Council Letter Number CL - 2508.

A Resolution of the Council of the City of Danville, Virginia (Department of Parks and Recreation), Authorizing the Negotiation, Execution and Delivery of a Commercial Sublease with the Industrial Development Authority of Danville, Virginia, for a Portion of the Dan River Falls Building, 13,205 Sq. Ft. of Unit 1 (Suite 101), Located at 420 Memorial Drive, Danville, Virginia 24541

COMMUNICATIONS FROM VISITORS

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COMMUNICATIONS

A. City Manager

B. Deputy City Manager

C. City Attorney

D. City Clerk

E. Roll Call

ADJOURNMENT

Council Letter
City of Danville, Virginia



CL - 2501

MEETING MINUTES A.

City Council REGULAR MEETING

Meeting Date: December 16, 2025

Subject: Approval of Minutes.

From: Susan DeMasi, City Clerk

COUNCIL ACTION

Consideration of Approval of Minutes from Regular Council Meeting held on November 18, 2025

Attachments

1. Meeting Minutes
-

November 18, 2025

The Second November meeting of the Danville City Council was held on November 18, 2025, at 7:00 p.m. in the Council Chambers located on the Fourth Floor of the Municipal Building. The following Council Members were present: Vice Mayor James B. Buckner, L.G. "Larry" Campbell Jr., Mayor Alonzo L. Jones, Barry Mayo, Dr. Gary P. Miller, Sherman M. Saunders, J. Lee Vogler, Jr., and Madison J.R. Whittle (8). Bryant Hood was absent (1). *Mr. Whittle entered the meeting at 7:04 p.m.*

Staff Members present were: City Manager Ken F. Larking, Deputy City Manager Earl B. Reynolds, Jr., City Attorney W. Clarke Whitfield, Jr., and City Clerk Susan M. DeMasi.

Mayor Jones presided.

INVOCATION AND PLEDGE OF ALLEGIANCE

Vice Mayor James Buckner gave the Invocation followed by the Pledge of Allegiance.

Mayor Jones asked City Attorney Clarke Whitfield to review the procedures to appoint a new Council Member after Council Member Whittle submits his resignation. Mr. Whitfield explained, once Mr. Whittle files his letter of resignation, the City Attorney's office will file a Writ of Special Election; a special election will be held on November 3, 2026. In the meantime, the remaining Council Members will fill the vacancy with an interim appointment. Within 15 days of the occurrence of the vacancy, they will file the Writ. Council has 45 days from the date that Council Member Whittle resigns his seat, to fill that seat. At least seven days prior to making the appointment, Council must hold an open public meeting, at which time all finalists for the appointment were publicly disclosed and materials, such as resumes they have submitted, were made publicly available. The first runner up from the last Council election was a finalist automatically, by Code. The City Code states, prior to filling any vacancy, the Council should conduct public interviews of each of the finalists selected by Council to fill the vacancy. Mr. Whitfield noted once all the applications were in, and the applications would be available one business day after the vacancy was created, Council would probably want to hold a closed meeting to determine who the finalists were. Once the finalists were identified, Council would interview them in public, and after the public interviews, Council would probably meet again in Closed Session to decide who they wanted to appoint. Once a final determination was made by Council, the new member would be voted on in an open, public session, and that person will serve until the next Council Member was elected and qualified through the electoral process.

In response to Council Member Vogler, Mr. Whitfield explained that if Council does not make an appointment within the 45 days, the Chief Judge of the Circuit would make that appointment; that person would have to be a citizen, who was a registered voter, eligible to vote in the City of Danville. Council Member Miller questioned if there was a tie vote on the candidate, what would happen, and Mr. Whitfield noted the Judge would probably have to make that decision. Council Members thanked Mr. Whitfield for the update.

CONSENT AGENDA

Vice Mayor Buckner **moved** for adoption of the following Consent Agenda items:

Consideration of Approval of Minutes from the Regular Council Meeting held on October 21, 2025.

November 18, 2025

Consideration of Amending the Fiscal Year 2026 Budget Appropriation Ordinance for Virginia Juvenile Community Crime Control Act Funding Appropriation

An Ordinance Entitled, Ordinance No. 2025-11.05, an Ordinance Amending the Fiscal Year 2026 Budget Appropriation Ordinance for a Grant from the Department of Juvenile Justice in the Amount of \$86,999 and a Local Share of \$39,830, for a Total Appropriation of \$126,829, to Provide for the Electronic Monitoring and Outreach Detention Programs, Online Intervention Programs, and Pro- Social Skills Programs for the City of Danville at the W. W. Moore Jr. Detention Home and Appropriating Same.

VOTE: 8-0-1
AYE: Buckner, Campbell, Jones, Mayo, Miller,
Saunders, Vogler, and Whittle (8)
NAY: None (0)
ABSENT: Hood (1)

OLD BUSINESS

CONSIDERATION OF A RESOLUTION TO RELOCATE THE WARD 7 POLLING PLACE

Mayor Jones opened the floor for a Public Hearing regarding Relocation of Ward 7 Polling Place. Notice of the Public Hearing was published in the *Danville Register & Bee* on November 8, 2025.

Mayor Jones recognized Peggy Petty, General Registrar for the City of Danville along with the Chairman of the Electoral Board, Neal Morris. Ms. Petty noted they were here in support of relocating Ward 7 from the Salvation Army Building to Woodrow Wilson. No one further desired to be heard and the Public Hearing was closed.

Council Member Vogler **moved** for adoption of a Resolution entitled:

RESOLUTION NO 2025-09.14

A RESOLUTION APPROVING AND AUTHORIZING THE RELOCATION OF THE POLLING LOCATION FOR THE WARD SEVEN (7) VOTING PRECINCT FROM THE SALVATION ARMY BUILDING TO THE ADULT EDUCATION CENTER ON THE CAMPUS OF WOODROW WILSON.

The Motion was **seconded** by Council Member Whittle and carried by the following vote:

VOTE: 8-0-1
AYE: Buckner, Campbell, Jones, Mayo, Miller,
Saunders, Vogler, and Whittle (8)
NAY: None (0)
ABSENT: Hood (1)

CONSIDERATION OF AMENDING CHAPTER 12 OF THE DANVILLE CITY CODE FOR THE RELOCATION OF A POLLING LOCATION

Council Member Vogler **moved** for adoption of an Ordinance entitled:

ORDINANCE NO. 2025-09.08

November 18, 2025

AN ORDINANCE AMENDING SECTION 12-17 ENTITLED "WARD NO. 7" OF CHAPTER 12, ENTITLED "ELECTIONS", OF THE CODE OF THE CITY OF DANVILLE, VIRGINIA, 1986, AS AMENDED TO RELOCATE THE POLLING LOCATION FOR WARD NUMBER 7.

The Motion was **seconded** by Council Member Mayo and carried by the following vote:

VOTE: 8-0-1
AYE: Buckner, Campbell, Jones, Mayo, Miller,
Saunders, Vogler, and Whittle (8)
NAY: None (0)
ABSENT: Hood (1)

CONSIDERATION OF REPEALING AND REPLACING CHAPTER 12 OF THE DANVILLE CITY CODE

Vice Mayor Buckner **moved** for adoption of an Ordinance entitled:

ORDINANCE NO. 2025-09.09

AN ORDINANCE REPEALING AND REORDAINING IN ITS ENTIRETY CHAPTER 12, ENTITLED "ELECTIONS", OF THE CODE OF THE CITY OF DANVILLE, VIRGINIA, 1986, AS AMENDED.

The Motion was **seconded** by Council Member Saunders and carried by the following vote:

VOTE: 8-0-1
AYE: Buckner, Campbell, Jones, Mayo, Miller,
Saunders, Vogler, and Whittle (8)
NAY: None (0)
ABSENT: Hood (1)

NEW BUSINESS

Review of General Fund Financials as of October 31, 2025

City of Danville Assistant City Manager-Chief Financial Officer Michael Adkins, gave an overview of the General Fund financials through the end of October, marking a third of the fiscal year complete, or 33%. Revenues totaled \$41.6M at the end of October, representing 23% of the current year budget which was where the City was last year at the end of October. Real Estate and Personal Property tax bills were received by citizens the first week of November; they were due December 5th and he will have more to talk about as far as current year collections, next month. Looking at collections through today, they were very comparable to last year as well, and looked like it will be on target for now. Collection of delinquent real estate taxes was going very well; at the end of October, they were at \$716,000 representing 63% of budget, an increase of \$261,000 over last year at this time. There will be a public auction in Chambers for abandoned parcels on December 11th at noon; that has proved to be a very good tool in clearing up some of the delinquent accounts. Regarding local taxes, those were meeting or exceeding expectations in most every case. Meals tax at the end of October was \$4.6M representing 33.5% of budget, lodging was \$1.4M representing 37% of budget, ahead of budget at this point and, to date, they have collected \$750,000 for business licenses, a slight increase of \$32,000 over last year at this time. Mr. Adkins stated, what was noteworthy, was this was an increase of 48 business licenses

over last year. Regarding sales tax, as was mentioned over the last few months, Mr. Adkins noted he was watching that; it was currently at 31% of budget, a few percentage points behind budget. In dollars, it was about \$300,000 below where the City would be. Mr. Adkins explained sales tax was not incurred or received evenly throughout the year; the City does get a larger portion of sales tax after holiday retail activity, in January and February. In January and February, they will have a better idea of how the holiday sales went and how the year will turn out.

Interest income from the investment fund at the end of October was \$1.4M, that was already 54% of the budget; interest rates were dropping but the budget assumed a quicker drop of rates, so interest earned at this point was ahead of budget. Mr. Adkins believed that if sales tax does come in under budget, the investment earnings will make up for it. Casino tax revenue was currently outperforming budget; looking at what was budgeted, the City was about \$1.5M ahead of what was expected.

Departmental expenditures were being contained at 30%, trailing budget at about 3%; they usually see it trail about 2-3% throughout the year. Non-departmental expenditures, mainly group health insurance, they were seeing that tick up ahead of budget, about 3%, but the City does have an increase on the way for employee contributions to group health insurance that go in effect in January. That will help offset some of the increase they were seeing.

In response to Council Member Campbell, Mr. Adkins stated the City ended Fiscal Year 24 with \$51M in reserves, at the end of Fiscal Year 25 it increased to \$54M.

COMMUNICATIONS FROM VISITORS

Mayor Jones recognized Katherine Wall who noted she spoke with the City Manager about the intersection of Edgewood Drive and Memorial Drive, the far-right lane and the possibility of a No Left Turn sign. Ms. Hall asked if the intersection was in the Comp Plan for redesign and if the Plan for businesses, was taking a survey of citizens on what kinds of restaurants and stores they would like to see there.

COMMUNICATIONS

There were no communications from City Manager, Deputy City Manager, City Attorney or City Clerk.

Council Member Mayo noted it was good to see the Mayor back, and thanked the City of Danville for coming through for the job and resource fair, it was a great success with over 250 people showing up, and over 600 jobs. There was a lot going on this weekend with different events and Mr. Mayo gave a shout out to House of Fashion with Kelly Hood; it was a great show at Caesars. Mr. Hood wished everyone a safe and Happy Thanksgiving.

Council Member Miller noted it was good to see the Mayor back and the GW football game was great; that was the first round of playoffs, next Friday night would be tougher and encouraged citizens to come out and support them. Dr. Miller noted the Veterans' Parade was great, but turnout was a little sparse; he rode with Mr. Saunders on his motorcycle. This weekend the City had the PLAN Mechanicsville event, it was a great event on Saturday, with good input from the citizens, and thanked Ms. Burton and her staff.

Council Member Saunders noted he enjoyed the Veterans' Parade and thanked the citizens for coming out. Mr. Saunders hoped the citizens enjoyed Thanksgiving with their families, noted his

November 18, 2025

appreciation of Mr. Mayo doing the job fair, and congratulated The LINKS on their event, raising \$16,000 for the UNCF.

Council Member Vogler noted the Veterans' Parade was a fantastic event; several Council Members were veterans, and all of Council was invited every year; they were honored and happy to go. Mr. Vogler congratulated GW on a big win this past Friday; they will be back at home this Friday and encouraged citizens to attend and support the team. Mr. Vogler wished everyone a Happy Thanksgiving.

Council Member Whittle noted he received a lot of letters on the zoning changes and questioned if there was anything they could do to help people understand what the changes were and get their input. Mr. Larking noted the City has done a good job getting the word out with direct mailings and community outreach through a variety of means. Mr. Whittle noted he also had a few questions regarding the Environmental Stewardship Plan and asked staff about the costs of those transitions.

Vice Mayor Buckner welcomed the Mayor back, and noted Caesars Virginia was having a LOVE sign revealing, on Wednesday at 1:00 p.m. On Thursday, the City was hosting the Governor's VA 1 Tourism Summit at Caesars, and thanked all the people who worked to build this region, the team at Visit SoSi was doing an outstanding job. Mr. Buckner wished everyone a Happy Thanksgiving.

Council Member Campbell noted he was glad to see the Mayor back, and wanted to salute Ms. Hood for a wonderful fashion show; it was well put together. Rev Campbell wished everyone a Happy Thanksgiving.

The meeting was adjourned at 7:39 pm.

APPROVED:

MAYOR

ATTEST:

CITY CLERK

Council Letter
City of Danville, Virginia



CL - 2383

NEW BUSINESS A.

City Council REGULAR MEETING

Meeting Date: December 16, 2025

Subject: Review of General Fund Financials as of November 30, 2025.

From: Michael Adkins, Assistant City Manager-Chief Financial Officer

COUNCIL ACTION

Review of General Fund Financials as of November 30, 2025. Financial Statements are included.

Attachments

1. Financial Statements
-



CITY OF DANVILLE

Department of Finance

To: Ken F. Larking, City Manager

From: Michael L. Adkins, Chief Financial Officer

Date: December 8, 2025

Subject: Summary of Preliminary General Fund Financial Results for November 30, 2025

After completing the first five months of the fiscal year, revenues are tracking well with budget and are slightly ahead of the previous year. As of November 30, General Fund revenues were \$57,739,261. This represents 31% of the FY 2026 budget. Last year at this time, we collected \$53,749,641 or 33% of budget. The increase compared to the prior year is primarily due to growth in local taxes, particularly an increase in Other Local Taxes driven by tourism-related revenue. Notable increases were seen in Meals Tax, Lodging Tax, and the Caesars direct payments.

The first installment of property tax bills was mailed on October 30 and was due December 5. Collections for this installment were steady, with 18% of current real estate taxes and 30% of current personal property taxes collected through November 30. Delinquent real estate tax collections also continued to perform well, totaling \$811,708 through November, which represents 71% of the current-year budget. Overall, local tax collections through November 30 amounted to \$17,889,367, or 31% of budget—exceeding FY 2025 collections for the same period by \$1.5 million.

Regarding local taxes, sales tax collections through November amounted to \$5,375,659, or 38% of budget. Meals taxes collected for the first five months of the fiscal year amounted to \$5,710,121 or 41% of budget, an increase of nearly \$555,000 from last year. Business Licenses realized at the end of November were \$884,524. Lodging taxes received as of November 30 were \$1,738,239 or 47% of budget, an increase of nearly \$200,000 from the prior year. All other revenue categories are tracking well with budget at this point.

Expenditures through November 30 totaled \$102,005,519, or 52% of the budget, representing an overall increase of \$29.3 million compared to November 30, 2024. Departmental spending for the first five months of the fiscal year amounted to \$40.8 million, or 38% of budget, an increase of \$2.6 million over the prior year. This increase is primarily driven by an increase in salaries and benefits, budgeted increases for motor vehicle purchases and timing differences related to payments for the police department debt service. The remaining overall increase is attributable to increases in non-departmental expenditures related to increased debt service as well as an

DANVILLE, VA

increase in group health insurance, an increase in Transfers to Danville Public Schools, and an increase in Transfers to Capital Projects due to timing differences of when the transfers occurred in FY 2025 versus FY 2026.

Fund expenditures exceeded revenues by \$44,266,259, which is typical early in the fiscal year because revenue recognition does not align with expenditure timing. At this point, the General Fund is performing as expected relative to the current budget.

CITY OF DANVILLE, VIRGINIA
GENERAL FUND REPORT
42% OF YEAR LAPSED AS OF NOVEMBER 30, 2025

****PRE-CLOSING FIGURES - SUBJECT TO CHANGE - UNAUDITED****

	Budgets & Appropriations For Current Year	Actual Revenues & Expenditures For Year-to-Date	Percent Realized/Expended This Year	Encumbrances	Balance to be Realized/Expended	Actual Revenues & Expenditures At This Date Last Year
REVENUES:						
Property Taxes	\$ 48,213,680	\$ 11,246,526	23.33%		\$ 36,967,154	\$ 12,288,688
Other Local Taxes	57,397,800	17,889,367	31.17%		39,508,433	16,376,948
License Permits & Privilege Fees	606,510	175,909	29.00%		430,601	235,826
Fines & Forfeitures	526,660	180,194	34.21%		346,466	91,374
Revenue From Use Money & Property	2,597,860	1,600,462	61.61%		997,398	1,655,655
Charges For Services	3,498,770	1,542,895	44.10%		1,955,875	1,646,001
Miscellaneous Revenue	25,100	111,837	445.56%		(86,737)	103,332
Recovered Cost	11,216,970	4,125,091	36.78%		7,091,879	2,752,916
Intergovernmental	44,801,669	14,331,980	31.99%		30,469,689	12,103,900
Transfers From Utilities	15,684,000	6,535,000	41.67%		9,149,000	6,495,000
TOTAL REVENUES	\$ 184,569,019	\$ 57,739,261	31.28%		\$ 126,829,758	\$ 53,749,641
EXPENDITURES:						
General Government Administration	\$ 17,979,551	\$ 7,887,750	43.87%	\$ 273,265	\$ 9,818,536	\$ 7,441,248
Judicial Administration	10,155,844	3,989,686	39.28%	57,887	6,108,271	3,771,886
Public Safety	48,754,783	18,765,621	38.49%	673,073	29,316,089	16,995,692
Public Works	6,561,373	2,248,946	34.28%	237,836	4,074,592	2,160,302
Health, Education, Welfare & Soc. Svc.	11,815,722	3,877,075	32.81%	59,006	7,879,641	3,216,094
Parks, Recreation & Cultural	7,993,432	2,667,450	33.37%	82,062	5,243,919	2,623,170
Community Development	5,613,597	1,378,598	24.56%	312,371	3,922,627	2,021,415
Non-Departmental	16,640,710	8,371,410	50.31%	-	8,269,300	6,987,335
Education	34,383,070	29,243,097	85.05%	-	5,139,973	26,381,781
Transfer to Capital Projects	26,065,600	21,771,330	83.53%	-	4,294,270	397,498
Transfer to Other Funds	10,414,190	1,804,555	17.33%	-	8,609,635	738,327
TOTAL EXPENDITURES	\$ 196,377,873	\$ 102,005,519	51.94%	\$ 1,695,500	\$ 92,676,853	\$ 72,734,747
Revenue over(under) Expenditures	-	\$ (44,266,259)				\$ (18,985,106)
FUND BALANCE:						
Beginning Fund Balance 07/01/2025		\$ 69,777,103				\$ 63,543,750
Revenue over(under) Expenditures		(44,266,259)				(18,985,106)
Ending Fund Balance 11/30/2025		\$ 25,510,844				\$ 44,558,644
Composition of Fund Balance:						
Reserved for Encumbrances/Designated Funds		\$ 10,097,865				\$ 9,318,463
Unassigned		15,412,979				35,240,181
TOTAL FUND BALANCE 11/30/2025		\$ 25,510,844				\$ 44,558,644

**CITY OF DANVILLE, VIRGINIA
GENERAL FUND
COMPOSITION OF FUND BALANCE
PRELIMINARY - AS OF NOVEMBER 30, 2025**

Beginning Total Fund Balance, July 1, 2025	69,777,102.74
Add: General Fund Revenues	57,739,260.57
Deduct: General Fund Expenditures Ending	<u>(102,005,519.45)</u>
Total Fund Balance, November 30, 2025	<u><u>25,510,843.86</u></u>

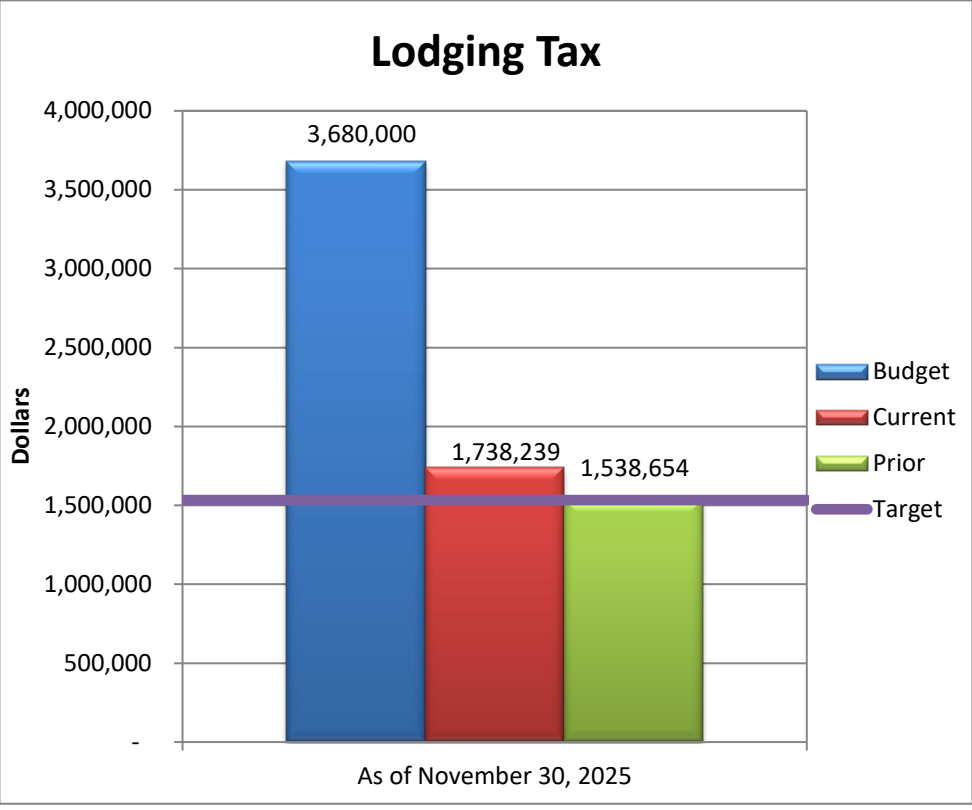
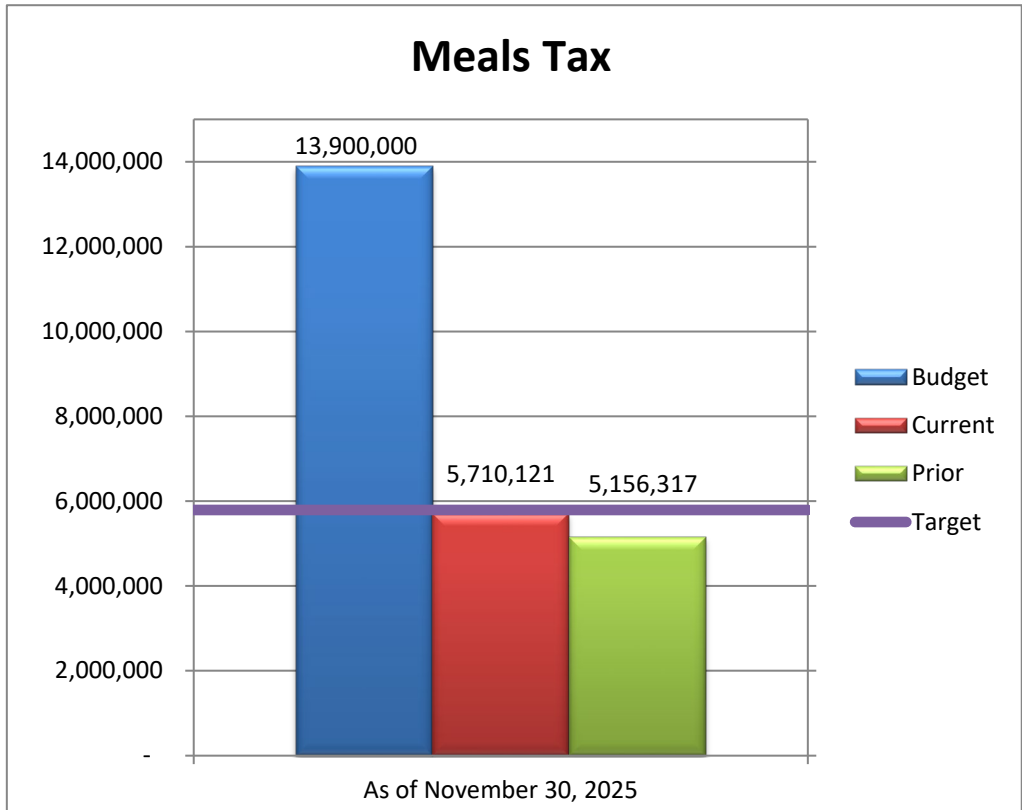
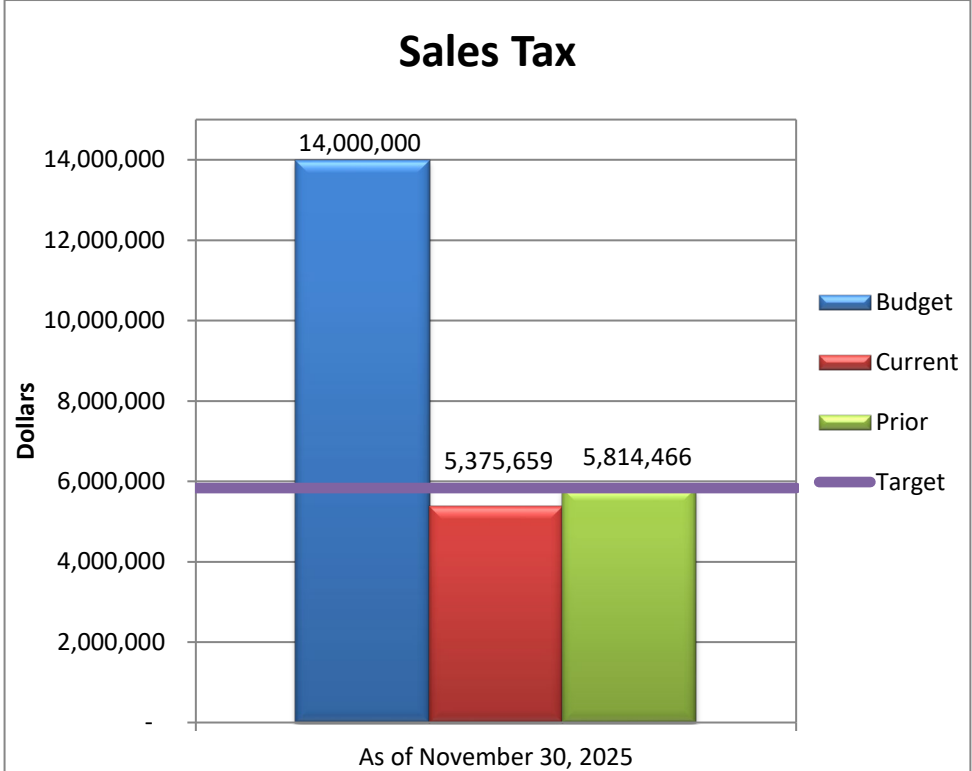
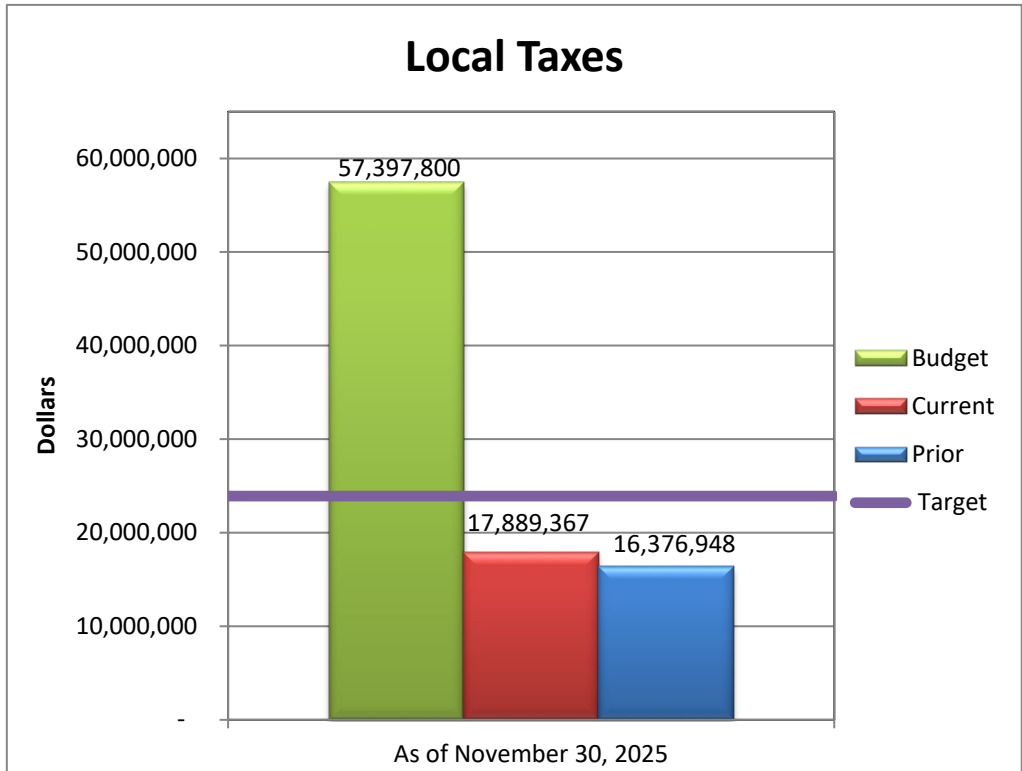
Composition of Fund Balance:

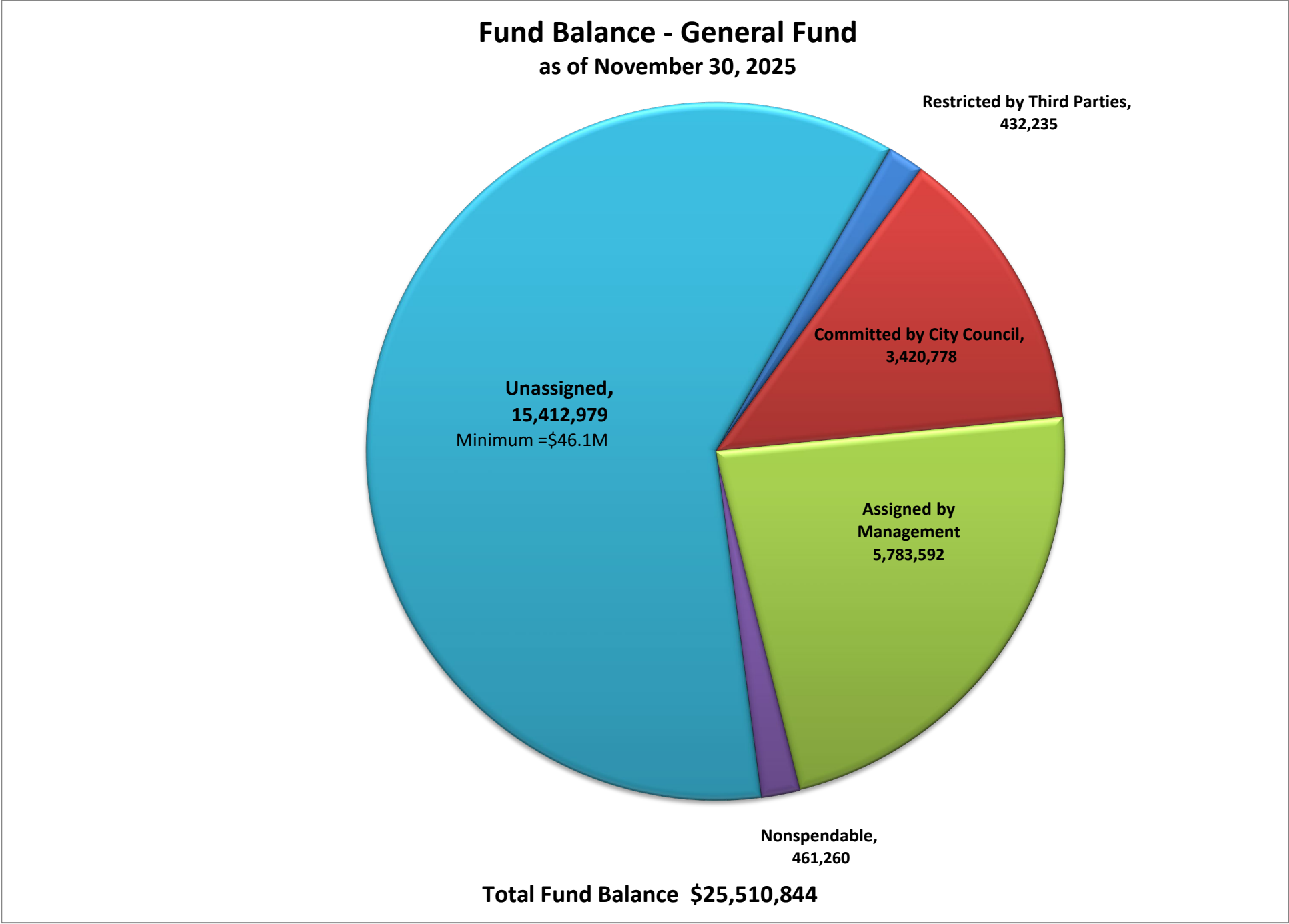
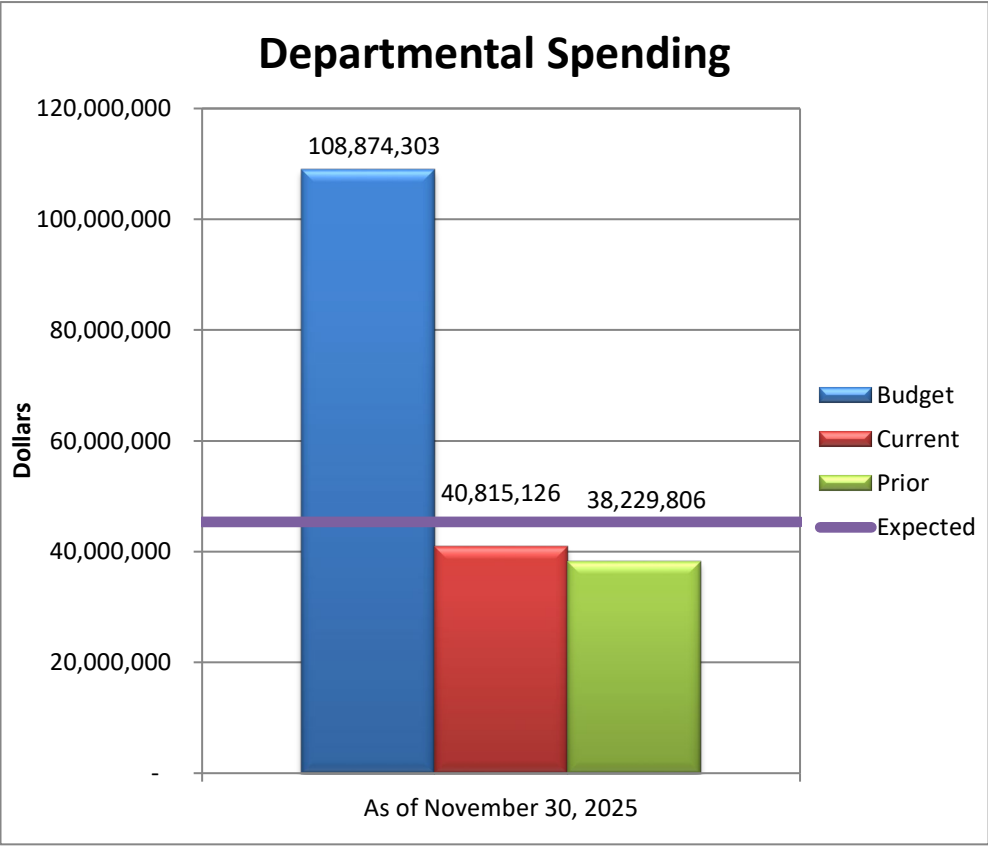
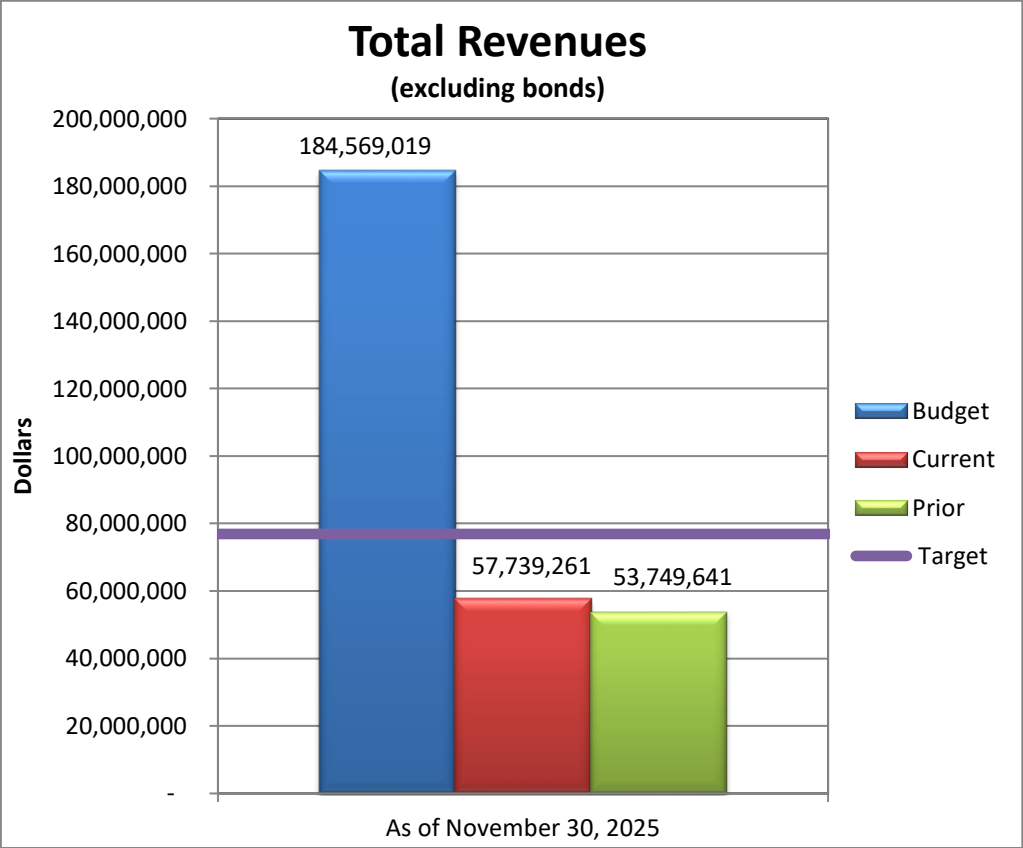
Restricted for Commonwealth Attorney	133,587.97
Restricted for Police Department	153,858.29
Restricted for Fire Department	144,788.35
Committed for Sheriff's Department	20,180.18
Committed to Schools	400,597.88
Committed to Budget Stabilization	3,000,000.00
Assigned to Sheriff's Department	17,182.13
Assigned to Community Development	70,909.84
Assigned for Encumbrances	1,695,500.29
Assigned Casino Revenue	4,000,000.00
Nonspendable (Inventory and Prepaids)	461,260.03
UNASSIGNED	<u>15,412,978.90</u>
Total Fund Balance, Nov 30, 2025	<u><u>25,510,843.86</u></u>

Unassigned fund balance from above	15,412,978.90
Unassigned Minimum per policy (25% of General Fund Operating Revenues) based on FY 2026 budget	<u>46,142,254.75</u>
Current surplus (deficit) over (under) minimum	<u>(30,729,275.85)</u>

City of Danville, Virginia
Summary of Other Local Tax Revenues - PRE-CLOSING - UNAUDITED
For the period ending November 30, 2025

Description	Current Budget	Revenue Realized	Percentage Realized	Prior Year Budget	Prior Year Realized	Percentage Prior Year
Sales Tax	\$ 14,000,000	\$ 5,375,659	38.40%	\$ 13,000,000	\$ 5,814,466	44.73%
Business Licenses	8,582,000	884,524	10.31%	7,642,000	1,061,479	13.89%
Meals Tax	13,900,000	5,710,121	41.08%	12,100,000	5,156,317	42.61%
Utility Taxes	930,000	316,990	34.08%	930,000	364,722	39.22%
Vehicle License Fees	1,000,000	208,441	20.84%	1,025,000	205,705	20.07%
Bank Stock Tax	1,100,000	-	0.00%	1,100,000	-	0.00%
Recordation Tax	370,000	174,009	47.03%	370,000	162,336	43.87%
Hotel Motel Tax	3,680,000	1,738,239	47.23%	3,525,000	1,538,654	43.65%
Daily Property Rental Tax	20,800	24,543	117.99%	20,800	32,843	157.90%
Motor Vehicle Tax	240,000	91,453	38.11%	240,000	72,709	30.30%
DMV Fees	275,000	80,841	29.40%	275,000	74,085	26.94%
Ceasars Min Fee	13,300,000	3,284,547	24.70%	8,700,000	1,893,631	21.77%
TOTAL	\$ 57,397,800	\$ 17,889,367	31.17%	\$ 48,927,800	\$ 16,376,948	33.47%





Council Letter City of Danville, Virginia



CL - 2506

NEW BUSINESS B.

City Council REGULAR MEETING

Meeting Date: December 16, 2025

Subject: Approving a Plan to Finance Certain Economic Development Projects.

From: Corrie Bobe, Director of Economic Development and Tourism

COUNCIL ACTION

A Resolution of the Council of the City of Danville, Virginia Approving a Plan to Finance Certain Economic Development Projects Through the Issuance of a Lease Revenue Note by the Industrial Development Authority of Danville, Virginia.

SUMMARY

The project will be funded through a Lease Revenue Note issued by the IDA with a principal amount of \$23.25 million, an interest rate of 4.69%, and a maturity date of June 1, 2027. Payments will be interest-only on a semi-annual basis, with a prepayment penalty if repaid within the first six months. The purchase price of the property totals \$20 million with \$3.25 million reserved for property improvements.

BACKGROUND

The City of Danville established the Industrial Development Authority (IDA) under the Virginia Industrial Development and Revenue Bond Act to promote economic development. The IDA is empowered to finance, lease, and purchase property, issue revenue bonds or notes, and enter into financial arrangements to support projects that advance economic growth. After reviewing proposals, the City and IDA selected Huntington National Bank as the lender for financing the acquisition and improvement of a property located within the City limits.

RECOMMENDATION

Staff recommends the approval of this request.

Attachments

1. Resolution
 2. 2025D - Fifth Supplemental Agreement of Trust
 3. 2025D - Fourth Supplemental Deed and Agreement of Financing Lease
-

PRESENTED: _____

ADOPTED: _____

RESOLUTION NO. 2025 - _____. ____

A RESOLUTION OF THE COUNCIL OF THE CITY OF DANVILLE, VIRGINIA APPROVING A PLAN TO FINANCE CERTAIN ECONOMIC DEVELOPMENT PROJECTS THROUGH THE ISSUANCE OF A LEASE REVENUE NOTE BY THE INDUSTRIAL DEVELOPMENT AUTHORITY OF DANVILLE, VIRGINIA

WHEREAS, the City of Danville, Virginia (the "City"), has created the Industrial Development Authority of Danville, Virginia, a political subdivision of the Commonwealth of Virginia (the "Authority"), pursuant to the provisions of the Industrial Development and Revenue Bond Act (the "Act"), Chapter 49, Title 15.2, Code of Virginia of 1950, as amended (the "Virginia Code"), and has empowered the Authority with all of the public and corporate powers set forth in the Act, including, among other things, the power to make loans to, among others, the City in furtherance of the Act; to finance or refinance and lease facilities for use by, among others, the City; to enter into financing arrangements by which the Authority may accept contributions, grants and other financial assistance from any political subdivision of the Commonwealth of Virginia, including the City; to purchase real property in furtherance of the purposes of promoting economic development; to issue revenue bonds, notes and other obligations from time to time for such purposes and to pledge all or any part of its revenues and receipts derived from payments received by the Authority in connection with its loans, leasing or other financial arrangements or from any source as security for the payment of principal of and premium, if any, and interest on any such obligations; and

WHEREAS, at the request of the City, the Authority has proposed to enter into an interim economic development financing to acquire and upfit an existing facility located in the City to lease and then sell to a company for the purpose of expanding its headquarters, warehouse storage and distribution operations with the expectation, based on information provided by the City, that the company's capital investment will generate increased tax revenues for the City, retain existing employees, and create new, full-time jobs (collectively, the "Series 2025D Project"); and

WHEREAS, the company has indicated to the City that the company has applied for new market tax credits in connection with its project and that once such credits have been obtained the company intends to purchase the facility from the Authority for an amount sufficient to enable the Authority to prepay the interim financing; and

WHEREAS, the Authority has proposed to issue a revenue note (as hereinafter described, the "Series 2025D Note") and use the proceeds thereof to finance costs of the Series 2025D Project and pay related costs of issuance; and

WHEREAS, the Authority has proposed to issue the Series 2025D Note as an additional obligation under an existing financing structure with the City that is secured by certain rental payments appropriated from time to time by the Council of the City (the "Council") and payable to the Authority in accordance with the terms of the Financing Lease (as hereinafter defined); and

WHEREAS, the City's financial advisor, Davenport & Company LLC (the "Financial Advisor"), has solicited bids, on behalf of the City and the Authority, from financial institutions for a loan to the Authority, to be evidenced by the Series 2025D Note; and

WHEREAS, the Financial Advisor, together with the City Manager, has reviewed the bids and recommends that the City and the Authority accept the bid of Huntington National Bank (the "Lender") as the proposal most advantageous to the City and the Authority; and

WHEREAS, there have been made available at this meeting drafts of the following documents (collectively, the "Documents"), proposed in connection with the issuance and sale of the Series 2025D Note:

- (a) a Fifth Supplemental Agreement of Trust, supplementing an Agreement of Trust dated as of March 1, 2017, as previously supplemented (collectively, the "Trust Agreement"), all between the Authority and U.S. Bank Trust Company, National Association, as successor trustee (the "Trustee"), pursuant to which the Authority may issue Bonds (as defined therein) from time to time, including the Series 2025D Note, and which is to be acknowledged and consented to by the City; and
- (b) a Fourth Supplemental Deed and Agreement of Financing Lease (the "Supplemental Financing Lease"), supplementing a Deed and Agreement of Financing Lease dated as of March 1, 2017, as previously supplemented (collectively, the "Financing Lease"), between the Authority and the City, pursuant to which the Authority has conveyed a subleasehold interest in the Property (as defined in the Financing Lease) to the City and agreed to finance various Projects (as described therein), and, in exchange, the City will undertake to make rental payments in amounts sufficient to pay the principal of and premium, if any, and interest on all outstanding Bonds under the Trust Agreement (including the Series 2025D Note), subject to appropriation by the Council from time to time of sufficient amounts for such purposes.

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF DANVILLE,
VIRGINIA:

1. Based on the information provided by the City, the City hereby finds and determines that the Series 2025D Project will be in the interest of the City and its citizens and will promote economic development opportunities in the City, increase tax revenues and expand employment opportunities at wages above the regional average. The Council hereby accepts the proposal of the Lender and approves the following plan of financing of the Series 2025D Project. The Authority will issue a federally taxable lease revenue note in a principal amount not to exceed \$23,250,000 (the "Series 2025D Note"). The Authority will use the proceeds of the Series 2025D Note to finance the costs of the Series 2025D Project and pay related costs of issuance. Pursuant to the terms of the Financing Lease, the Authority will continue to lease the Property to the City and the City will undertake to make certain rental payments to the Authority in amounts sufficient to pay the principal of and premium, if any, and interest on all outstanding Bonds issued under the Trust Agreement (including the Series 2025D Note), to pay the fees or expenses of the Authority and the Trustee, and to pay certain other related costs. The obligation of the Authority to pay principal of and premium, if any, and interest on the Bonds (including the Series 2025D Note) will be limited to the rental payments received from the City. The Bonds (including the Series 2025D Note) will be secured by an assignment of such rental payments to the Trustee for the benefit of the holders of all outstanding Bonds. The undertaking by the City to make such rental payments will be subject to the appropriation by the Council from time to time of sufficient amounts for such purposes. The plan of financing of the Series

2025D Project shall contain such additional requirements and provisions as may be approved by the City Manager (the “City Manager,” which term as used herein shall include any Assistant or Deputy City Manager) and the Chairman or Vice Chairman of the Authority.

2. The Council, while recognizing that it is not empowered to make any binding commitment to make appropriations beyond the current fiscal year, hereby states its intent to make appropriations in future fiscal years in amounts sufficient to make all payments due under the Financing Lease and hereby recommends that future Councils do likewise during the term of the Financing Lease. The Council hereby confirms that the components of the Series 2025D Project are important to the welfare of the City by promoting economic development, and the Council anticipates that such components will continue to be so during the term of the Financing Lease.

3. The Mayor and the City Manager, either of whom may act, are hereby authorized and directed to execute, or acknowledge and consent to, the Documents to which the City is a signatory, which shall be in substantially the forms made available at this meeting. Such forms of the Documents are hereby approved, with such completions, omissions, insertions and changes not inconsistent with this Resolution as may be approved by the officer signing such Documents. Such officer’s execution and delivery thereof shall constitute conclusive evidence of such officer’s approval of any such completions, omissions, insertions and changes.

4. In making completions to the Supplemental Financing Lease, the City Manager, in collaboration with the Financial Advisor and the Authority, shall provide for

payments of Basic Rent and Additional Rent (as each is defined in the Financing Lease) in amounts equivalent to the payments on all outstanding Bonds (including the Series 2025D Note). The Series 2025D Note shall be sold to the Lender on terms as shall be satisfactory to the City Manager; provided that the Series 2025D Note shall (a) be issued in a principal amount (or in aggregate principal advances) not to exceed the amount set forth in Section 1, (b) mature no later than December 31, 2027, (c) have an initial interest rate not to exceed 4.69% per year, (d) be subject to prepayment terms in accordance with the bid submitted by the Lender, and (e) be sold to the Lender at a purchase price not less than 100% of the principal amount thereof. Subject to the foregoing limitations, the City Manager is also hereby authorized to approve, in collaboration with the Chairman or Vice Chairman of the Authority, the final terms of the Series 2025D Note, all as the City Manager and such officers shall determine to be in the best interests of the City and the Authority. Following the sale of the Series 2025D Note, the City Manager shall file a certificate with the records of the Council setting forth the final terms of the Series 2025D Note and the Supplemental Financing Lease. The actions of the City Manager in approving the terms of the Series 2025D Note and the Supplemental Financing Lease shall be conclusive, and no further action shall be necessary on the part of the City.

5. All costs and expenses in connection with the financing of the Series 2025D Project and the issuance of the Series 2025D Note, including the Authority's fees and expenses and the related fees and expenses of bond counsel, counsel for the Authority, the Financial Advisor, the Lender and its counsel, and the Trustee and its counsel, shall be paid from the proceeds of the Series 2025D Note or other legally

available funds of the City. If for any reason the Series 2025D Note is not issued, it is understood that all such fees and expenses shall be paid by the City from its legally available funds and that the Authority shall have no responsibility therefor.

6. The officers of the City are hereby authorized and directed to execute, deliver and file all certificates and documents and to take all such further action as they may consider necessary or desirable in connection with the issuance and sale of the Series 2025D Note and the financing of the Series 2025D Project.

7. Any authorization herein to execute a document shall include authorization to deliver it to the other parties thereto and, if applicable, to record such document.

8. All other acts of the City Manager and other officers of the City that are in conformity with the purposes and intent of this Resolution and in furtherance of the issuance and sale of the Series 2025D Note and the financing of the Series 2025D Project are hereby approved and ratified.

9. This Resolution shall take effect immediately.

Approved:

Mayor

Attest:

City Clerk

Approved as to
Form and Legal Sufficiency:

City Attorney

FIFTH SUPPLEMENTAL AGREEMENT OF TRUST

between

**INDUSTRIAL DEVELOPMENT AUTHORITY
OF DANVILLE, VIRGINIA**

and

**U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,
as successor Trustee**

Dated as of December 1, 2025

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Exhibit A - Form of Series 2025D Note		A-1

THIS FIFTH SUPPLEMENTAL AGREEMENT OF TRUST dated as of December 1, 2025 (this “Fifth Supplemental Agreement”), by and between the **INDUSTRIAL DEVELOPMENT AUTHORITY OF DANVILLE, VIRGINIA**, a political subdivision of the Commonwealth of Virginia (the “Authority”), and **U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION**, a national banking association having a corporate trust office in Richmond, Virginia, as successor trustee (in such capacity, together with any successor in such capacity, herein called the “Trustee”), provides:

WHEREAS, the Authority and the Trustee have entered into an Agreement of Trust dated as of March 1, 2017 (the “Master Trust Agreement”), pursuant to which the Authority has agreed to issue from time to time lease revenue bonds or notes and use the proceeds thereof to finance costs incurred in connection with certain Projects (which has the meaning given in the hereinafter defined Financing Lease) for the benefit of the City of Danville, Virginia (the “City”);

WHEREAS, within the limitations of and in compliance with the Master Trust Agreement, the City has requested the Authority to issue a federally taxable lease revenue note in the principal amount of \$23,250,000 (the “Series 2025D Note”) to finance the costs of the Series 2025D Project (as hereinafter defined) and pay related costs of issuance;

WHEREAS, the Authority has agreed to issue the Series 2025D Note, secured by a pledge of the revenues and receipts derived from a Deed and Agreement of Financing Lease dated as of March 1, 2017, as previously supplemented and as further supplemented by a Fourth Supplemental Deed and Agreement of Financing Lease dated as of December 1, 2025 (collectively, the “Financing Lease”), all between the Authority and the City, and the City has undertaken, subject to the appropriation by the City Council of the City from time to time of sufficient amounts for such purposes, to make certain rental payments that will be sufficient to pay the principal of and premium, if any, and interest on the outstanding Bonds issued under the Master Trust Agreement (including the Series 2025D Note) as the same shall become due; and

WHEREAS, the Authority has taken all necessary action to make the Series 2025D Note, when authenticated by the Trustee and issued by the Authority, a valid and binding limited obligation of the Authority and to constitute this Fifth Supplemental Agreement a valid and binding agreement authorizing and providing for the details of the Series 2025D Note;

NOW THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter contained, the parties hereto agree as follows:

ARTICLE I

FIFTH SUPPLEMENTAL AGREEMENT

Section 5.101 Authorization of Fifth Supplemental Agreement.

This Fifth Supplemental Agreement is authorized and executed by the Authority and delivered to the Trustee pursuant to and in accordance with Articles III and X of the Master Trust Agreement. All terms, covenants, conditions and agreements of the Master Trust Agreement shall apply with full force and effect to the Series 2025D Note and to the holder thereof, except as otherwise provided in this Fifth Supplemental Agreement.

Section 5.102 Definitions.

Except as otherwise defined in this Fifth Supplemental Agreement (including the Recitals), words defined in the Master Trust Agreement are used in this Fifth Supplemental Agreement with the meanings assigned to them in the Master Trust Agreement. In addition, the following capitalized terms shall have the following meanings unless a different meaning clearly appears from the context:

“Fifth Supplemental Agreement” shall mean this Fifth Supplemental Agreement of Trust between the Authority and the Trustee, which supplements the Master Trust Agreement.

“Fourth Supplemental Financing Lease” shall mean the Fourth Supplemental Deed and Agreement of Financing Lease dated as of December 1, 2025, between the Authority and the City, which supplements the Master Financing Lease.

“Master Financing Lease” shall mean the Deed and Agreement of Financing Lease dated as of March 1, 2017, between the Authority and the City, as previously supplemented.

“Series 2025D Note” shall mean the Authority’s \$23,250,000 Lease Revenue Note, Series 2025D (Federally Taxable), authorized to be issued pursuant to this Fifth Supplemental Agreement of Trust.

“Series 2025D Project” shall have the meaning set forth in the Fourth Supplemental Financing Lease.

“Series 2025D Project Account” shall mean the Series 2025D Project Account established in Section 5.401(a) of this Fifth Supplemental Agreement.

“Series 2025D Purchaser” shall mean Huntington National Bank, as purchaser of the Series 2025D Note, and any of its successors and assigns.

Section 5.103 Rules of Construction.

The following rules shall apply to the construction of this Fifth Supplemental Agreement unless the context otherwise requires:

(a) Words importing the singular number shall include the plural number and vice versa.

(b) Words importing the redemption or calling for redemption of the Series 2025D Note shall not be deemed to refer to or connote the payment of the Series 2025D Note at its stated maturity.

(c) Unless otherwise indicated, all references herein to particular Articles or Sections are references to Articles or Sections of this Fifth Supplemental Agreement.

(d) The headings herein and Table of Contents to this Fifth Supplemental Agreement herein are solely for convenience of reference and shall neither constitute a part of this Fifth Supplemental Agreement nor affect its meaning, construction or effect.

(e) All references herein to payment of the Series 2025D Note are references to payment of principal of and premium, if any, and interest on the Series 2025D Note.

ARTICLE II

AUTHORIZATION, DETAILS AND FORM OF SERIES 2025D NOTE

Section 5.201 Authorization of Series 2025D Note.

Pursuant to Article III of the Master Trust Agreement, there is hereby authorized to be issued the Series 2025D Note in the original principal amount of \$23,250,000 to finance the Costs of the Series 2025D Project and pay related costs of issuance.

Section 5.202 Details of Series 2025D Note.

(a) The Series 2025D Note shall be designated “Lease Revenue Note, Series 2025D (Federally Taxable),” shall be dated December ___, 2025, shall be issued as a single, registered note and shall be numbered R-1. The Series 2025D Note shall bear interest at an annual rate of [4.69]%, calculated on the basis of a 360-day year of twelve 30-day months, payable semiannually on each June 1 and December 1, beginning June 1, 2026, and shall mature on June 1, 2027.

(b) Principal, premium, if any, and interest shall be payable in lawful money of the United States by the Trustee, at the option of the registered owner, (i) by check or draft mailed to the registered owner at its address as it appears on the registration books kept for that purpose by the Trustee on the 15th day of the month preceding each payment date or (ii) by wire transfer pursuant to the most recent wire instructions received by the Trustee from such registered owner.

(c) Except as otherwise provided herein, the Series 2025D Note shall be payable, executed, authenticated, registrable, exchangeable and secured as set forth in the Master Trust Agreement.

Section 5.203 Form of Series 2025D Note.

The Series 2025D Note shall be in substantially the form set forth in Exhibit A, with such appropriate variations, omissions and insertions as are permitted or required by the Master Trust Agreement and this Fifth Supplemental Agreement.

Section 5.204 Delivery of Series 2025D Note.

The Trustee shall authenticate and deliver the Series 2025D Note when there have been filed with or delivered to it all items required by Section 303 of the Master Trust Agreement.

ARTICLE III

REDEMPTION OF SERIES 2025D NOTE

Section 5.301 Extraordinary Optional Redemption of Series 2025D Note.

If the City exercises its option to prepay all or a portion of the Basic Rent upon damage to, destruction of, condemnation of or loss of title to the Property as provided in Article VII of the Master Financing Lease, a corresponding portion of the outstanding principal of the Series 2025D Note shall be redeemed upon payment of 100% of the principal amount thereof to be redeemed plus interest accrued to the date fixed for redemption.

Section 5.302 Optional Redemption of Series 2025D Note.

[The Series 2025D Note shall not be subject to optional redemption prior to June ___, 2026. The Series 2025D Note shall be subject to redemption prior to maturity at the option of the Authority (at the direction of the City), in whole or in part once per calendar quarter, at any time on or after June ___, 2026, at a redemption price equal to 100% of the principal amount to be redeemed, plus interest accrued and unpaid to the date fixed for redemption.]

Section 5.303 Notice of Redemption of Series 2025D Note.

(a) Notwithstanding the provisions of Section 402(a) of the Master Trust Agreement, notice of redemption of the Series 2025D Note shall be given by facsimile or electronic transmission, registered or certified mail or overnight express delivery, to (i) the Trustee at 1051 East Cary Street, Suite 600, Richmond, Virginia 23219 (Attention: _____), and (ii) the Series 2025D Purchaser, as holder of the Series 2025D Note, at 11100 Wayzata Blvd., Suite 700. Minnetonka, Minnesota 55305.

(b) To exercise either of the options under Section 5.301 or Section 5.302, the City, on behalf of the Authority, shall give written notice to the holder of the Series 2025D Note specifying (i) the date fixed for redemption of the Series 2025D Note, which shall not be less than thirty (30) days from the date such notice is sent, and (ii) the section of this Fifth Supplemental Agreement pursuant to which such redemption is to be made.

ARTICLE IV

PROCEEDS OF SERIES 2025D NOTE; ESTABLISHMENT OF ACCOUNT

Section 5.401 Establishment of Account.

(a) Series 2025D Project Account: There shall be established within the Project Fund a special account entitled "Series 2025D Project Account." The proceeds of the Series 2025D Note shall be deposited in the Series 2025D Project Account as described below. Money in the Series 2025D Project Account shall be used in accordance with the provisions of Sections 502 and 503 of the Master Trust Agreement (based upon requisitions in the form described in the Master Trust Agreement) to pay Costs of the Series 2025D Project and to pay the costs of issuing the Series 2025D Note.

(b) No Series Debt Service Reserve Account: No Series Debt Service Reserve Account will be established within the Debt Service Reserve Fund for purposes of the Series 2025D Note. No funds on deposit in, or for the account of, the Debt Service Reserve Fund shall secure the Series 2025D Note.

Section 5.402 Application of Proceeds of Series 2025D Note.

(a) The Series 2025D Purchaser shall transfer the proceeds of the Series 2025D Note (\$23,250,000) to the Trustee to be deposited in the Series 2025D Project Account.

ARTICLE V

SECURITY FOR SERIES 2025D NOTE

Section 5.501 Security for Series 2025D Note.

The Series 2025D Note shall be equally and ratably secured under the Master Trust Agreement with any other series of Bonds issued pursuant to Article III of the Master Trust Agreement, without preference, priority or distinction of any Bonds (including the Series 2025D Note) over any other Bonds, except as provided in the Master Trust Agreement. As described in Section 5.401(b), the Debt Service Reserve Fund shall not secure the Series 2025D Note, and no debt service reserve fund or account is currently established or funded in connection with the issuance of the Series 2025D Note.

ARTICLE VI

MISCELLANEOUS

Section 5.601 Limitation of Rights.

With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Fifth Supplemental Agreement or the Series 2025D Note is intended or shall be construed to give to any person other than the parties hereto and the holders of the Series 2025D Note any legal or equitable right, remedy or claim under or in respect to this Fifth Supplemental Agreement or any covenants, conditions and agreements herein contained as this Fifth Supplemental Agreement and all of the covenants, conditions and agreements hereof are intended to be and are for the sole and exclusive benefit of the parties hereto and the holders of Bonds as herein provided.

Section 5.602 Severability.

If any provision of this Fifth Supplemental Agreement shall be held invalid by any court of competent jurisdiction, such holding shall not invalidate any other provision hereof and this Fifth Supplemental Agreement shall be construed and enforced as if such illegal provision had not been contained herein.

Section 5.603 Successors and Assigns.

This Fifth Supplemental Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

Section 5.604 Applicable Law.

This Fifth Supplemental Agreement shall be governed by and construed and enforced in accordance with the applicable laws of the Commonwealth of Virginia, without regard to its conflict of law principles.

Section 5.605 Notices.

Unless otherwise provided herein, all demands, notices, approvals, consents, requests, opinions and other communications hereunder shall be in writing and shall be deemed to have been given when delivered in person or mailed by first class registered or certified mail, postage prepaid, addressed (a) if to the City, at 427 Patton Street, Municipal Building, P.O. Box 3300, Danville, Virginia 24543 (Attention: City Manager); (b) if to the Authority, c/o of the City Attorney's Office, at 427 Patton Street, Municipal Building, P.O. Box 3300, Danville, Virginia 24543 (Attention: Chairman); (c) if to the initial holder of the Series 2025D Note, at 11100 Wayzata Blvd., Suite 700, Minnetonka, Minnesota 55305; and (d) if to the Trustee, at 1051 East Cary Street, Suite 600, Richmond, Virginia 23219 (Attention: _____).

Section 5.606 Counterparts.

This Fifth Supplemental Agreement may be executed in several counterparts, each of which shall be an original and all of which together shall constitute but one and the same instrument.

Section 5.607 Federally Required Information.

To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account. For a non-individual person such as a business entity, a charity, a trust or other legal entity, the Trustee is required to request documentation to verify its formation and existence as a legal entity. The Trustee may also request financial statements, licenses, identification and authorization documents from individuals claiming authority to represent the entity or other relevant documentation.

Section 5.608 Digital Signatures.

With respect to the Series 2025D Note, the proceeds thereof and the funds and accounts established pursuant to this Fifth Supplemental Agreement, the City, the Authority, and the Trustee may also provide, and the Trustee shall have the right to accept and act upon, notices or directions ("Instructions") under the Trust Agreement or any other Basic Agreement by unsecured e-mail, facsimile transmission, portable data format (.pdf), or other similar unsecured electronic means (herein, "Electronic Means"); provided, however, that (1) the Trustee shall have received an incumbency or other certification from the City and/or the Authority listing the persons entitled to

provide any such Instructions and containing specimen signatures of such persons (each, an “Authorized Officer”), which incumbency certificate shall be amended by the City or the Authority, as applicable, whenever a person is to be added or deleted from the listing; and (2) any communication sent to the Trustee hereunder must be in the form of a document signed manually. If the City and/or the Authority, as applicable, elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee’s understanding of such Instructions shall be deemed controlling. The City and the Authority understand and agree that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the most recent incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The City and the Authority shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee’s reliance upon and compliance with such Instructions notwithstanding whether such directions conflict or are inconsistent with a subsequent written instruction.

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IN WITNESS WHEREOF, the Authority and the Trustee have caused this Fifth Supplemental Agreement to be executed in their respective corporate names as of the date first above written.

**INDUSTRIAL DEVELOPMENT AUTHORITY
OF DANVILLE, VIRGINIA**

By: _____
T. Neal Morris, Chairman

**U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION, as Trustee**

By: _____
_____, _____

Acknowledged and Consented To:

CITY OF DANVILLE, VIRGINIA

By: _____
Kenneth F. Larking, City Manager

REGISTERED

REGISTERED

R-1

December __, 2025

UNITED STATES OF AMERICA

COMMONWEALTH OF VIRGINIA

INDUSTRIAL DEVELOPMENT AUTHORITY
OF DANVILLE, VIRGINIALease Revenue Note
Series 2025D (Federally Taxable)

The Industrial Development Authority of Danville, Virginia, a political subdivision of the Commonwealth of Virginia (the “Authority”), for value received, hereby acknowledges itself indebted and promises to pay to Huntington National Bank, or its registered assigns or legal representatives, the principal sum of **TWENTY-THREE MILLION TWO HUNDRED FIFTY THOUSAND AND 00/100 DOLLARS (\$23,250,000)**. Principal of this note shall be payable on June 1, 2027 (subject to optional redemption as provided herein). Interest on this note shall be payable on the unpaid principal at the annual rate of [4.69]%, calculated on the basis of a 360-day year of twelve 30-day months, on each June 1 and December 1, commencing June 1, 2026. Principal and interest shall be payable in lawful money of the United States by the Trustee (as hereinafter defined), at the option of the registered owner hereof, (i) by check or draft mailed to the registered owner at its address as it appears on the registration books kept for that purpose by the Trustee on the 15th day of the month preceding each payment date or (ii) by wire transfer pursuant to the most recent wire instructions received by the Trustee from such registered owner.

This note is authorized and issued pursuant to the Industrial Development and Revenue Bond Act, Chapter 49, Title 15.2, Code of Virginia of 1950, as amended. This note is also issued under and secured by an Agreement of Trust dated as of March 1, 2017 (the “Master Trust Agreement”), between the Authority and U.S. Bank Trust Company, National Association, Richmond, Virginia, as successor trustee (the “Trustee”), as previously supplemented and as further supplemented by a Fifth Supplemental Agreement of Trust dated as of December 1, 2025 (the “Fifth Supplemental Agreement of Trust” and, together with the Master Trust Agreement, the “Agreement of Trust”). This note will be secured on parity with the Authority’s \$10,000,000 Public Facility Lease Revenue Note, Series 2021A (Federally Taxable) (the “Series 2021A Note”), its \$4,184,000 Public Facility Lease Revenue Refunding Bond, Series 2021B (Federally Taxable) (the “Series 2021B Bond”), its \$2,575,000 Lease Revenue Bond, Series 2025A (Federally Taxable) (the “Series 2025A Bond”), its \$8,325,000 Lease Revenue Note, Series 2025B (Tax-Exempt), its \$10,175,000 Lease Revenue Note, Series 2025C (Federally Taxable), and any other Bonds hereafter issued under the Master Trust Agreement. The Agreement of Trust, together with an Assignment Agreement dated as of March 1, 2017, between the Authority and the Trustee, assigns to the Trustee, as security for this note, the Series 2021A Note, the Series 2021B Bond, the Series 2025A Bond, the Series 2025B Note, the Series 2025C Note and all other Bonds hereafter issued thereunder, (a) certain rental payments derived from a Deed and Agreement of

Financing Lease dated as of March 1, 2017 (the “Master Financing Lease”), as previously supplemented and as further supplemented by the Fourth Supplemental Deed and Agreement of Financing Lease dated as of December 1, 2025 (collectively, the “Financing Lease”), between the Authority and the City of Danville, Virginia (the “City”), and (b) the Authority’s rights under the Financing Lease and the related Deed and Agreement of Prime Lease dated as of March 1, 2017, between the Authority and the City (except for the Authority’s rights under the Financing Lease to the payment of certain fees and expenses and to receive notices).

Reference is hereby made to the Agreement of Trust for a description of the provisions, among others, with respect to the nature and extent of the security, the rights, duties and obligations of the Authority and the Trustee, the rights of the holders of this note and the terms upon which this note is issued and secured. Additional Bonds secured by a pledge of revenues and receipts derived from the City under the Financing Lease on parity with this note, the Series 2021A Note, the Series 2021B Bond, the Series 2025A Bond, the Series 2025B Note and the Series 2025C Note may be issued under the terms and conditions set forth in the Agreement of Trust. Capitalized terms not otherwise defined herein shall have the meanings assigned such terms in the Agreement of Trust.

Notwithstanding any provision of the Agreement of Trust to the contrary, presentment or surrender of this note shall not be required for payment of principal hereof or interest hereon.

This note is issued to finance an economic development project consisting of _____. Pursuant to the Financing Lease, the City has undertaken to make payments that will be sufficient to pay the principal of and premium, if any, and interest on the Bonds outstanding under the Agreement of Trust (including this note), as the same shall become due in accordance with its terms and the provisions and the terms of the Agreement of Trust; provided, however, that the undertaking by the City to make such payments constitutes a current expense of the City that is subject to appropriation by the City Council of the City from time to time of sufficient moneys for such purposes. The undertaking by the City to make payments under the Financing Lease does not constitute a debt of the City within the meaning of any constitutional or statutory limitation nor a liability of or a lien or charge upon funds or property of the City beyond any fiscal year for which the City has appropriated moneys to make such payments.

THIS NOTE AND THE PREMIUM, IF ANY, AND INTEREST THEREON ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM REVENUES AND RECEIPTS DERIVED FROM THE CITY RECEIVED BY THE AUTHORITY UNDER THE FINANCING LEASE, AND FROM CERTAIN FUNDS, AND THE INVESTMENT INCOME THEREON, HELD UNDER THE AGREEMENT OF TRUST, WHICH REVENUES, RECEIPTS AND FUNDS HAVE BEEN PLEDGED AND ASSIGNED TO SECURE PAYMENT HEREOF. THIS NOTE AND THE PREMIUM, IF ANY, AND THE INTEREST HEREON SHALL NOT BE DEEMED TO CONSTITUTE A GENERAL OBLIGATION DEBT OR A PLEDGE OF THE FAITH AND CREDIT OF THE COMMONWEALTH OF VIRGINIA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE AUTHORITY AND THE CITY. NEITHER THE COMMONWEALTH OF VIRGINIA NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE AUTHORITY AND THE CITY, SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THIS NOTE OR OTHER COSTS INCIDENT THERETO EXCEPT FROM THE REVENUES

AND RECEIPTS PLEDGED AND ASSIGNED THEREFOR, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF VIRGINIA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE AUTHORITY AND THE CITY, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THIS NOTE OR OTHER COSTS INCIDENT THERETO. THE AUTHORITY HAS NO TAXING POWER.

No covenant, condition or agreement contained herein shall be deemed to be a covenant, agreement or obligation of any present or future director, officer, employee or agent of the Authority in his individual capacity, and neither the Chairman of the Authority nor any officer thereof executing this note shall be liable personally on this note or be subject to any personal liability or accountability by reason of the issuance hereof.

If the City exercises its option to prepay all or a portion of the Basic Rent upon damage to, destruction of, condemnation of or loss of title to the Property as provided in Article VII of the Master Financing Lease, a corresponding portion of the principal of this note shall be redeemed upon payment of 100% of the principal amount hereof to be redeemed plus interest accrued to the date fixed for redemption.

[This note shall not be subject to optional redemption prior to June ___, 2026. This note shall be subject to redemption prior to maturity at the option of the Authority (at the direction of the City), in whole or in part once per calendar quarter, at any time on or after June ___, 2026, at a redemption price equal to 100% of the principal amount hereof to be redeemed, plus interest accrued and unpaid to the date fixed for redemption.]

To exercise either of the options under the two preceding paragraphs, the City, on behalf of the Authority, shall give written notice to the holder of this note specifying (a) the date fixed for redemption of this note, which shall not be less than thirty (30) days from the date such notice is sent, (b) the principal amount of this note to be redeemed, and (c) the section of the Fifth Supplemental Agreement of Trust pursuant to which such redemption is to be made.

This note is issued as a registered note and may be transferred only in accordance with the provisions with respect thereto as provided in the Agreement of Trust.

The registered owner of this note shall have no right to enforce the provisions of the Agreement of Trust or to institute any action to enforce the covenants therein or to take any action with respect to any Event of Default under the Agreement of Trust or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Agreement of Trust. Modifications or alterations of the Agreement of Trust, the Financing Lease or the other Basic Agreements, or of any supplement or amendment thereto, may be made only to the extent and in the circumstances permitted by the Basic Agreements.

Upon surrender for transfer or exchange of this note at the designated corporate trust office of the Trustee in St. Paul, Minnesota, together with an assignment duly executed by the registered owner or its duly authorized attorney or legal representative in such form as shall be satisfactory to the Trustee, the Authority shall execute, and the Trustee shall authenticate and deliver in exchange, a new note or notes in the manner and subject to the limitations and conditions provided

in the Agreement of Trust, having an equal aggregate principal amount, in authorized denominations, of the same series, form and maturity, bearing interest at the same rate and registered in the name or names as requested by the then registered owner hereof or its duly authorized attorney or legal representative. Any such exchange shall be at the expense of the Authority, except that the Trustee may charge the person requesting such exchange the amount of any tax or other governmental charge required to be paid with respect thereto.

The Trustee shall treat the registered owner as the person exclusively entitled to payment of principal, premium, if any, and interest and the exercise of all other rights and powers of the holder on the registration books, except that interest payments shall be made to the person shown as holder on the registration books on the date fifteen days preceding each payment date.

All acts, conditions and things required to happen, exist or be performed precedent to and in connection with the issuance of this note have happened, exist and have been performed.

This note shall not become obligatory for any purpose or be entitled to any security or benefit under the Agreement of Trust or be valid until the Trustee shall have executed the Certificate of Authentication appearing hereon and inserted the date of authentication hereon.

IN WITNESS WHEREOF, the Industrial Development Authority of Danville, Virginia, has caused this note to be signed by its Chairman or Vice Chairman, its seal to be imprinted hereon and attested by its Secretary, and this note to be dated the date first written above.

**INDUSTRIAL DEVELOPMENT AUTHORITY
OF DANVILLE, VIRGINIA**

(SEAL)

By _____
Chairman

Attest:

Secretary

CERTIFICATE OF AUTHENTICATION

Date Authenticated: _____

This note is the Series 2025D Note described in the within mentioned Agreement of Trust.

**U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION**, as Trustee

By _____
Authorized Representative

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sell(s), assign(s) and transfer(s) unto

(please print or typewrite name and address, including zip code, of Transferee)

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF TRANSFeree

: _____ :
: _____ :
: _____ :

the within bond and all rights thereunder, hereby irrevocably constituting and appointing

_____, Attorney, to transfer said bond on the books kept for the registration thereof, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed

NOTICE: Signature(s) must be guaranteed by an Eligible Guarantor Institution such as a Commercial Bank, Trust Company, Securities Broker/Dealer, Credit Union, or Savings Association who is a member of a medallion program approved by The Securities Transfer Association, Inc.

(Signature of Registered Owner

NOTICE: The signature above must correspond with the name of the registered owner as it appears on the front of this note in every particular, without alteration or enlargement or any change whatsoever.

This document has been prepared by
and, after recording, please return to:

W. Clarke Whitfield, Jr., Esq.
City of Danville
P.O. Box 3300
Danville, Virginia 24543

Tax Parcel Numbers: 24143 and 26472

RECORDER'S NOTE: THE INDUSTRIAL DEVELOPMENT AUTHORITY OF DANVILLE, VIRGINIA, AND THE CITY OF DANVILLE, VIRGINIA, ARE EXEMPT FROM RECORDATION TAXES PURSUANT TO SECTION 58.1-811(E) OF THE CODE OF VIRGINIA OF 1950, AS AMENDED, AND CLERK'S FEES PURSUANT TO SECTION 17.1-266 OF THE CODE OF VIRGINIA OF 1950, AS AMENDED.

FOURTH SUPPLEMENTAL DEED AND AGREEMENT OF FINANCING LEASE

between

**INDUSTRIAL DEVELOPMENT AUTHORITY
OF DANVILLE, VIRGINIA,**

as Grantor

and

CITY OF DANVILLE, VIRGINIA,

as Grantee

Dated as of December 1, 2025

ALL RENTALS PAYABLE UNDER THIS LEASE HAVE BEEN ABSOLUTELY ASSIGNED TO, AND ARE SUBJECT TO A SECURITY INTEREST IN FAVOR OF U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, AS SUCCESSOR TRUSTEE (THE "TRUSTEE"), UNDER AN ASSIGNMENT AGREEMENT WITH THE AUTHORITY DATED AS OF MARCH 1, 2017, AS AMENDED OR SUPPLEMENTED FROM TIME TO TIME (THE "ASSIGNMENT"). INFORMATION CONCERNING

SUCH ASSIGNMENT AND SECURITY INTEREST MAY BE OBTAINED FROM THE TRUSTEE IN RICHMOND, VIRGINIA.

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THIS FOURTH SUPPLEMENTAL DEED AND AGREEMENT OF FINANCING LEASE dated as of December 1, 2025, by and between the **INDUSTRIAL DEVELOPMENT AUTHORITY OF DANVILLE, VIRGINIA**, a political subdivision of the Commonwealth of Virginia (the “Authority”), and the **CITY OF DANVILLE, VIRGINIA**, a political subdivision of the Commonwealth of Virginia (the “City”), provides:

WITNESSETH:

WHEREAS, the Authority is a political subdivision of the Commonwealth of Virginia duly created under the Industrial Development and Revenue Bond Act, Chapter 49, Title 15.2, Code of Virginia of 1950, as amended (the “Act”);

WHEREAS, the Authority is authorized to exercise all the powers set forth in the Act, which include, among other things, the power to make loans to, among others, the City in furtherance of the purposes of the Act (including but not limited to promoting economic development), to finance or refinance and lease facilities for use by, among others, the City, to enter into financing arrangements by which the Authority may accept contributions, grants and other financial assistance from any political subdivision of the Commonwealth of Virginia, including the City; to purchase real property in furtherance of the purposes of promoting economic development; to issue revenue bonds, notes and other obligations from time to time for such purposes and to pledge all or any part of its revenues and receipts derived from payments received by the Authority in connection with its loans, leasing or other financial arrangements or from any source as security for the payment of principal of and premium, if any, and interest on any such obligations;

WHEREAS, in furtherance of the purposes of the Act, the City has requested the Authority to undertake one or more Projects (which has the meaning given in the hereinafter defined Master Financing Lease), and the Authority has determined to issue from time to time pursuant to the terms of an Agreement of Trust dated as of March 1, 2017, between the Authority and U.S. Bank Trust Company, National Association, Richmond, Virginia, as successor trustee (the “Trustee”), as previously supplemented and as further supplemented by a Fifth Supplemental Agreement of Trust dated as of December 1, 2025, between the Authority and the Trustee (collectively, the “Agreement of Trust”), to issue its lease revenue obligations and to make the proceeds available to finance costs incurred in connection with such Projects and costs of issuing such obligations;

WHEREAS, in furtherance of the purposes of the Act, the Authority and the City have entered into a Deed and Agreement of Financing Lease dated as of March 1, 2017, as previously supplemented (the “Master Financing Lease”), pursuant to which the Authority has agreed to lease the Property (as defined in the Master Financing Lease) to the City and agreed to finance Projects, and, in exchange, the City has agreed to make rental payments in amounts sufficient to pay the principal of and premium, if any, and interest on such obligations, subject to appropriation by the City Council from time to time of sufficient amounts for such purposes;

WHEREAS, within the limitations and in compliance with the Agreement of Trust, the City has requested the Authority to issue a series of federally taxable notes (as further defined herein, the “Series 2025D Note”) and to use the proceeds thereof to finance costs of the Series

2025D Project (as hereinafter defined) and to pay the related costs of issuance pursuant to the terms of this Fourth Supplemental Financing Lease; and

WHEREAS, all acts, conditions and things required by law to happen, exist and be performed precedent to and in connection with the execution of and entering into this Fourth Supplemental Financing Lease have happened, exist and have been performed in regular and due time and in form and manner as required by law, and the parties hereto are now duly empowered to execute and enter into this Fourth Supplemental Financing Lease;

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter contained and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto covenant and agree as follows:

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.1 Definitions.

Unless otherwise defined in this Fourth Supplemental Financing Lease, all capitalized terms used herein shall have the meanings assigned to such terms in the Agreement of Trust or the Master Financing Lease. The following capitalized terms as used in this Fourth Supplemental Financing Lease shall have the following meanings unless a different meaning clearly appears from the context:

“Fifth Supplemental Agreement of Trust” shall mean the Fifth Supplemental Agreement of Trust dated as of December 1, 2025, between the Authority and the Trustee, which supplements the Master Trust Agreement.

“Financing Lease” shall mean the Master Financing Lease, as previously supplemented and as further supplemented by this Fourth Supplemental Financing Lease.

“Fourth Supplemental Financing Lease” shall mean this Fourth Supplemental Deed and Agreement of Financing Lease dated as of December 1, 2025, between the Authority and the City, which supplements the Master Financing Lease.

“Master Financing Lease” shall mean the Deed and Agreement of Financing Lease dated as of March 1, 2017, between the Authority and the City.

“Series 2025D Agreements” shall mean, collectively, the Fifth Supplemental Agreement of Trust and this Fourth Supplemental Financing Lease.

“Series 2025D Note” shall mean the Authority’s \$23,250,000 Lease Revenue Note, Series 2025D (Federally Taxable), authorized to be issued pursuant to the Fifth Supplemental Agreement of Trust.

“Series 2025D Project” shall mean _____.

“Series 2025D Purchaser” shall mean Huntington National Bank, as purchaser of the Series 2025D Note, and any of its successors and assigns.

Section 1.2 Rules of Construction.

The following rules shall apply to the construction of this Fourth Supplemental Financing Lease unless the context otherwise requires:

(a) Words importing the singular number shall include the plural number and vice versa.

(b) Words importing the redemption or calling for redemption of the Series 2025D Note shall not be deemed to refer to or connote the payment of the Series 2025D Note at its stated maturity.

(c) Unless otherwise indicated, all references herein to particular Articles or Sections are references to Articles or Sections of this Fourth Supplemental Financing Lease.

(d) The headings herein and the Table of Contents herein are solely for convenience of reference and shall not constitute a part of this Fourth Supplemental Financing Lease and shall not affect its meaning, construction or effect.

(e) All references herein to payment of the Series 2025D Note are references to payment of principal of and interest on the Series 2025D Note.

ARTICLE II

REPRESENTATIONS

Section 2.1 Representations by Authority.

The Authority makes the following representations:

(a) The Authority is a political subdivision of the Commonwealth of Virginia duly created under the Act;

(b) The Authority is the owner of a leasehold estate in the Property granted by the Prime Lease free and clear of any mortgages and any other liens and encumbrances that would have a materially adverse effect on the use of the Property for its intended purposes under the Prime Lease and the Financing Lease;

(c) The Agreement of Trust, the Series 2025D Note, the Financing Lease and the Prime Lease are legal, valid and binding obligations of the Authority enforceable against the Authority in accordance with their respective terms;

(d) The undertaking by the Authority to lease the Property to the City has been authorized, as required by the Act, by the affirmative vote of a majority of the members of the Authority present at a meeting at which a quorum was present and acting throughout;

(e) Pursuant to the Act, the Authority has full power and authority to enter into the Series 2025D Agreements and to perform the transactions contemplated thereby and to carry out its obligations thereunder and by proper action has duly authorized, executed and delivered the Series 2025D Agreements;

(f) The execution and delivery by the Authority of the Series 2025D Agreements, and compliance by the Authority with the terms and conditions thereof, will not conflict with or constitute or result in a default under or violation of (i) any existing law, rule or regulation applicable to the Authority or (ii) any trust agreement, mortgage, deed of trust, lien, lease, contract, note, order, judgment, decree or other agreement, instrument or other restriction of any kind to which the Authority or any of its assets is subject;

(g) No further approval, consent or withholding of objection on the part of any regulatory body or any official, federal, state or local, is required in connection with the execution or delivery of or compliance by the Authority with the terms and conditions of the Series 2025D Agreements, except that no representation is made as to the applicability of any federal or state securities laws; and

(h) There is no litigation at law or in equity or any proceeding before any governmental agency involving the Authority pending or, to the knowledge of the Authority, threatened against the Authority with respect to (i) the creation and existence of the Authority, (ii) the authority of the Authority to execute and deliver the Series 2025D Agreements, (iii) the validity or enforceability of the Series 2025D Agreements or the performance of the Authority's obligations thereunder, (iv) the title of any officer of the Authority executing the Series 2025D Agreements or the Series 2025D Note, (v) the ability of the Authority to issue and sell the Series 2025D Note, or (vi) the power of the Authority to lease the Property to the City.

Section 2.2 Representations by City.

The City makes the following representations:

- (a) The City is a political subdivision of the Commonwealth of Virginia;
- (b) The Property comprises facilities that are essential to the proper, efficient and economic operation of the City and to the health and welfare of its residents;
- (c) (i) The City owns the Property free and clear of any mortgages and any other liens and encumbrances that would have a materially adverse effect on the use of the Property for its intended purposes under the Prime Lease and the Financing Lease, and (ii) the leasehold estate of the City created by the Financing Lease is owned by the City free and clear of all liens and encumbrances (including any mortgages);
- (d) The City has full power and authority to enter into this Fourth Supplemental Financing Lease and to perform the transactions contemplated hereby and to carry out its obligations hereunder and by proper action has duly authorized, executed and delivered this Fourth Supplemental Financing Lease;

(e) The Financing Lease and the Prime Lease are legal, valid and binding obligations of the City enforceable against the City in accordance with their respective terms;

(f) The City is not in default in and has not failed to appropriate sufficient amounts to provide for the payment of the principal of or interest on any of its indebtedness for borrowed money (including any subject-to-appropriation lease obligations) and is not in default and no event of non-appropriation has occurred under any instrument under or subject to which any indebtedness for borrowed money has been incurred (including any subject-to-appropriation lease obligations), and no event has occurred and is continuing that with the lapse of time or the giving of notice, or both, would constitute or result in an event of default or an event of non-appropriation thereunder;

(g) The City is not in default under or in violation of, and the execution and delivery by the City of this Fourth Supplemental Financing Lease, and the compliance by the City with the terms and conditions hereof, will not conflict with or constitute or result in a default under or violation of (i) any existing law, rule or regulation applicable to the City or (ii) any trust agreement, mortgage, deed of trust, lien, lease, contract, note, order, judgment, decree or other agreement, instrument or restriction of any kind to which the City or any of its assets is subject, and no event has occurred and is continuing that with the lapse of time or the giving of notice, or both, would constitute or result in such a default or violation;

(h) No further approval, consent or withholding of objection on the part of any regulatory body or any official, federal, state or local, is required in connection with the execution or delivery of or compliance by the City with the terms and conditions of this Fourth Supplemental Financing Lease;

(i) The City has appropriated sufficient funds in its current fiscal year to make all payments of Basic Rent and Additional Rent due and owing during such fiscal year; and

(j) There is no litigation at law or in equity or any proceeding before any governmental agency involving the City pending or, to the knowledge of the City, threatened against the City with respect to (i) the authority of the City to execute and deliver this Fourth Supplemental Financing Lease, (ii) the validity or enforceability of this Fourth Supplemental Financing Lease or the performance of the City's obligations hereunder, (iii) the title of any officer of the City executing this Fourth Supplemental Financing Lease, (iv) the undertaking of the Series 2025D Project, and (v) the power of the City to lease the Property from the Authority.

ARTICLE III

AGREEMENT TO MAKE LOAN AND ISSUE SERIES 2025D NOTE

Section 3.1 Agreement to Make Loan to Finance the Series 2025D Project.

The Authority hereby agrees to make, but solely from the proceeds of the Series 2025D Note, and the City hereby agrees to accept, a loan to finance the Costs of the Series 2025D Project. Subject to the limitation of Section 5.3 of the Master Financing Lease, the City agrees to make all payments of Basic Rent and Additional Rent when and as the same shall become due and payable to repay such loans.

Section 3.2 Agreement to Issue Series 2025D Note.

In order to provide funds for making the loan described in Section 3.1, the Authority shall contemporaneously with the execution and delivery hereof proceed with the issuance and sale of the Series 2025D Note bearing interest, maturing and having the other terms and provisions set forth in the Agreement of Trust.

ARTICLE IV

LEASE TERMS; PAYMENT OF RENT

Section 4.1 Lease Terms.

Except as otherwise specifically provided herein, the terms of the Master Financing Lease remain in full force and effect.

Section 4.2 Basic Rent Payable.

The Master Financing Lease is hereby amended to replace in its entirety the Exhibit A attached thereto with the new schedule of Basic Rent payments attached hereto as Exhibit A. Pursuant to Article V of the Master Financing Lease and subject specifically to the limitation of Section 5.3 thereof, the City shall pay to the Trustee (as assignee of the Authority) (a) the Basic Rent allocable to the Series 2021A Note on or before the third Business Day of each month in which a payment is due on the Series 2021A Note and in the amounts set forth on Exhibit A attached hereto, (b) the Basic Rent allocable to the Series 2021B Bond on or before each May 15 and November 15 in the years and in the amounts set forth on Exhibit A attached hereto, (c) the Basic Rent allocable to the Series 2025A Bond on or before each March 15 and September 15 in the years and amounts set forth on Exhibit A attached hereto, (d) the Basic Rent allocable to the Series 2025 Notes on or before each May 15 and November 15 in the years and amounts set forth on Exhibit A attached hereto, and (e) the Basic Rent allocable to the Series 2025D Note on or before each May 15 and November 15 in the years and amounts set forth on Exhibit A attached hereto. Payments of Basic Rent shall be payable without notice or demand at the designated corporate trust office of the Trustee in Richmond, Virginia.

Section 4.3 No Series Debt Service Reserve Account.

There shall be no Series Debt Service Reserve Account established for the Series 2025D Note.

ARTICLE V

PREPAYMENT AND REDEMPTION

Section 5.1 Prepayment and Redemption.

(a) The City shall have the option to prepay all or a portion of the Basic Rent upon damage to, destruction of, condemnation of or loss of title to the Property as set forth in Article VII of the Master Financing Lease, and the Authority shall cause the Trustee to redeem a corresponding

portion of the Series 2025D Note in accordance with the provisions of Article VII of the Master Financing Lease and Article III of the Fifth Supplemental Agreement of Trust.

(b) The City shall have the option to prepay all or a portion of the Basic Rent at the time and in the amount as necessary to enable the Authority to exercise its option to cause the Series 2025D Note to be redeemed according to the provisions set forth in the Series 2025D Note and the Fifth Supplemental Agreement of Trust. Such prepayment of Basic Rent shall be made at the times and in the amounts as necessary to accomplish the optional redemption of the Series 2025D Note as set forth in the Series 2025D Note and the Fifth Supplemental Agreement of Trust. Upon the exercise of such option, the City shall also pay as Additional Rent, the amounts necessary to pay the premium, if any, due on the Series 2025D Note on the date fixed for its redemption.

(c) The City shall, on behalf of the Authority, send to the Trustee notice of any redemption of the Series 2025D Note at least five days prior to the latest date that notice of redemption may be given pursuant to Section 5.303 of the Fifth Supplemental Agreement of Trust, and such notice shall specify the date fixed for redemption, the principal amount of the Series 2025D Note to be redeemed, the premium, if any, and the section of the Fifth Supplemental Agreement of Trust pursuant to which such redemption is to be made.

ARTICLE VI

MISCELLANEOUS

Section 6.1 Severability.

If any provision of this Fourth Supplemental Financing Lease shall be held invalid by any court of competent jurisdiction, such holding shall not invalidate any other provision hereof.

Section 6.2 Successors and Assigns.

This Fourth Supplemental Financing Lease shall be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

Section 6.3 Counterparts.

This Fourth Supplemental Financing Lease may be executed in any number of counterparts, each of which shall be an original and all of which together shall constitute but one and the same instrument.

Section 6.4 Governing Law.

This Fourth Supplemental Financing Lease shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

Section 6.5 Reporting Requirements.

So long as the Series 2025D Note is Outstanding, the City shall provide to the Series 2025D Purchaser or otherwise make available on the Municipal Securities Rulemaking Board's Electronic

Municipal Market Access System a copy of its annual financial statements (including operating statistics) for each fiscal year by March 31 of the following calendar year. If the audit has not been completed by March 31 of the flowing calendar year, the City will promptly provide a copy of its unaudited annual financial statements and subsequently provide its annual audited financial statements within 30 days of their release.

Section 6.6 Requirements Relating to Master Financing Lease.

The following provisions shall apply for the benefit of the Series 2025D Purchaser only so long as the Series 2025D Note is Outstanding:

(a) Prior to the disposition of any Property pursuant to Section 5.9 of the Master Financing Lease, the City shall obtain the written consent of the Series 2025D Purchaser, which consent shall not be unreasonably withheld.

(b) In no event shall the Authority or the City voluntarily settle, or consent to the settlement of, any prospective or pending condemnation proceedings, or proceedings as to the title with respect to the Property or any portion thereof, without the prior written consent of the Series 2025D Purchaser, which consent shall not be unreasonably withheld.

(c) The following shall constitute additional Events of Default under Section 9.1(a) of the Master Financing Lease: (i) any representation or warranty of the City or the Authority under any Basic Agreement shall be deemed untrue or incorrect in any material respect or (ii) the occurrence of any Event of Default under the Agreement of Trust or the Prime Lease.

(d) Notwithstanding Section 12.4 of the Master Financing Lease, for purposes of federal bankruptcy law, the Financing Agreement is intended to be a “true lease” and not a “financing lease.”

Section 6.7 No Consent or Waiver.

No consent to or waiver of (either express or implied) any breach or default in the performance of any obligation under the Financing Lease shall constitute a consent to or waiver of any other breach or default in the performance of the same or any other obligation.

Section 6.8 Federally Required Information.

To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account. For a non-individual person such as a business entity, a charity, a trust or other legal entity, the Trustee is required to request documentation to verify its formation and existence as a legal entity. The Trustee may also request financial statements, licenses, identification and authorization documents from individuals claiming authority to represent the entity or other relevant documentation.

Section 6.9 Trustee as Third-Party Beneficiary.

If and to the extent that the Trustee is requested or required to enforce remedies in its capacity as Trustee under the Agreement of Trust, the Trustee shall be a third-party beneficiary of this Fourth Supplemental Financing Lease for all such intents and purposes.

[Remainder of Page Intentionally Left Blank]

By: _____
Kenneth F. Larking, City Manager

By: _____
W. Clarke Whitfield, City Attorney

The foregoing instrument was acknowledged before me in the City of Danville, Virginia, this ____ day of December, 2025, by Kenneth F. Larking, City Manager, City of Danville, Virginia.

My Registration Number is:_____

[Signature Page to Fourth Supplemental Financing Lease]

RECEIPT OF TRUSTEE

Receipt of the foregoing original counterpart of the Fourth Supplemental Deed and Agreement of Financing Lease dated as of December 1, 2025, between the Industrial Development Authority of Danville, Virginia, and the City of Danville, Virginia, is hereby acknowledged.

**U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION, as Trustee**

By: _____

EXHIBIT A

SCHEDULE OF BASIC RENT PAYMENTS

Series 2021A Note			
Payment Date⁽¹⁾	Principal Component	Interest Component	Total Payment
06/18/2025		\$13,666.67	\$13,666.67
07/18/2025		13,666.67	13,666.67
08/18/2025		13,666.67	13,666.67
09/18/2025		13,666.67	13,666.67
10/18/2025		13,666.67	13,666.67
11/18/2025		13,666.67	13,666.67
12/18/2025		13,666.67	13,666.67
01/18/2026		13,666.67	13,666.67
02/18/2026		13,666.67	13,666.67
03/18/2026		13,666.67	13,666.67
04/18/2026		13,666.67	13,666.67
05/18/2026	\$10,000,000	13,666.67	10,013,666.67
	<u>\$10,000,000</u>	<u>\$164,000.04</u>	<u>\$10,164,000.04</u>

(1) Payments by the City will be made on or before the third Business Day of each month in which a payment is due on the Series 2021A Note.

Series 2021B Bond			
Payment Date⁽²⁾	Principal Component	Interest Component	Total Payment
12/1/2025	\$299,000	\$13,559.00	\$312,559.00
06/1/2026	298,000	11,331.45	309,331.45
12/1/2026	303,000	9,111.35	312,111.35
06/1/2027	303,000	6,854.00	309,854.00
12/1/2027	617,000	4,596.65	621,596.65
	\$1,820,000	\$45,452.45	\$1,865,452.45

(2) Payments by the City will be made on or before each May 15 and November 15 preceding each Bond Payment Date for the Series 2021B Bond.

Series 2025A Bond			
Payment Date⁽³⁾	Principal Component	Interest Component	Total Payment
4/1/2026	\$217,198	\$72,228.75	\$289,426.75
10/1/2026		66,136.35	66,136.35
4/1/2027	208,517	66,136.35	274,653.35
10/1/2027		60,287.44	60,287.44
4/1/2028	220,214	60,287.44	280,501.44
10/1/2028		54,110.44	54,110.44
4/1/2029	232,568	54,110.44	286,678.44
10/1/2029		47,586.91	47,586.91
4/1/2030	245,615	47,586.91	293,201.91
10/1/2030		40,697.41	40,697.41
4/1/2031	259,394	40,697.41	300,091.41
10/1/2031		33,421.41	33,421.41
4/1/2032	273,947	33,421.41	307,368.41
10/1/2032		25,737.19	25,737.19
4/1/2033	289,315	25,737.19	315,052.19
10/1/2033		17,621.91	17,621.91
4/1/2034	305,545	17,621.91	323,166.91
10/1/2034		9,051.37	9,051.37
4/1/2035	322,687	9,051.37	331,738.37
	\$2,575,000	\$781,529.61	\$3,356,529.61

(3) Payments by the City will be made on or before each March 15 and September 15 preceding each Bond Payment Date for the Series 2025A Bond.

Series 2025 Notes			
Payment Date⁽⁴⁾	Principal Component	Interest Component	Total Payment
6/1/2026		\$463,827.38	\$463,827.38
12/1/2026		463,827.38	463,827.38
6/1/2027		463,827.38	463,827.38
12/1/2027		463,827.38	463,827.38
6/1/2028		463,827.38	463,827.38
12/1/2028		463,827.38	463,827.38
6/1/2029		463,827.38	463,827.38
12/1/2029		463,827.38	463,827.38
6/1/2030	\$18,500,000.00	463,827.38	18,963,827.38
	\$18,500,000.00	\$4,174,446.42	\$22,674,446.42

(4) Payments by the City will be made on or before each May 15 and November 15 preceding each Bond Payment Date for the Series 2025 Notes.

Series 2025D Note			
Payment Date ⁽⁵⁾	Principal Component	Interest Component	Total Payment
6/1/2026			
12/1/2026			
6/1/2027			

(5) Payments by the City will be made on or before each May 15 and November 15 preceding each Bond Payment Date for the Series 2025D Note.

Council Letter City of Danville, Virginia



CL - 2507

NEW BUSINESS C.

City Council REGULAR MEETING

Meeting Date: December 16, 2025

Subject: Commercial Sublease with the IDA for Suite 201 of the Dan River Falls Building.

From: Corrie Bobe, Director of Economic Development and Tourism

COUNCIL ACTION

A Resolution of the Council of the City of Danville, Virginia (Office of Economic Development and Tourism), Authorizing the Negotiation, Execution and Delivery of a Commercial Sublease with the Industrial Development Authority of Danville, Virginia, for a Portion of the Dan River Falls Building, 9,361 Sq. Ft. of Unit 1 (Suite 201), Located at 420 Memorial Drive, Danville, Virginia 24541.

SUMMARY

The Industrial Development Authority (IDA) will sublease 9,361 square feet at 420 Memorial Drive, Suite 201, Unit 1, to the City of Danville for the Office of Economic Development and Tourism. The initial term is 10 years with an option to extend for another 10 years with three months' notice. Minimum rent is \$149,776 annually (\$12,481.33/month), plus additional rent of \$44,785.43 annually (\$3,732.12/month), with a 2% annual increase. The tenant is responsible for utilities, insurance, and maintenance within its space.

BACKGROUND

The Office of Economic Development & Tourism (OEDT) is relocating to newly completed office space at Dan River Falls to enhance workflow and foster collaboration. This move is part of a broader effort to provide modern, efficient facilities that support the department's mission of driving economic growth and tourism initiatives for the City of Danville.

RECOMMENDATION

Staff recommends the approval of this request.

Attachments

1. Resolution
 2. Commercial Sublease
 3. Economic Development Rent Schedule
-

PRESENTED: _____ December _____, 2025

ADOPTED: _____ December _____, 2025

RESOLUTION NO. 2025-_____._____

A RESOLUTION OF THE COUNCIL OF THE CITY OF DANVILLE, VIRGINIA (OFFICE OF ECONOMIC DEVELOPMENT AND TOURISM), AUTHORIZING THE NEGOTIATION, EXECUTION AND DELIVERY OF A COMMERCIAL SUBLEASE WITH THE INDUSTRIAL DEVELOPMENT AUTHORITY OF DANVILLE, VIRGINIA, FOR A PORTION OF THE DAN RIVER FALLS BUILDING, 9,361 SQ. FT. OF UNIT 1 (SUITE 201), LOCATED AT 420 MEMORIAL DRIVE, DANVILLE, VIRGINIA 24541

WHEREAS, the Industrial Development Authority of Danville, Virginia (the “Authority”), was created to promote economic development in the City of Danville (the “City”); and

WHEREAS, the City, Office of Economic Development and Tourism, desires to enter into a commercial sublease with the Industrial Development Authority of Danville, Virginia, for a portion of the Dan River Falls Building, 9,361 sq. ft. of Unit 1 (Suite 201), located at 420 Memorial Drive, Danville, Virginia 24541, as more particularly described in **Exhibit A**, attached hereto (the “Sublease”), subject to the approval by legal counsel to the City as to legal form.

NOW THEREFORE, BE IT RESOLVED, that

1. The City hereby authorizes and approves the negotiation, execution and delivery of the Sublease, as described in this Resolution, together with such amendments, deletions or additions thereto as may be approved by the City Manager, and hereby authorizes the City Manager, to execute and deliver the Sublease, and all other related documents to consummate the transaction, on behalf of the City, such execution of the Sublease, and related documents by the City Manager to conclusively establish his approval of any amendments, deletions or additions thereto.

2. The City hereby authorizes and directs staff and other agents and representatives working on behalf of the City to take such actions and to do all such things as are contemplated by the Sublease, or as they in their discretion deem necessary or appropriate in order to carry out the intent and purposes of these resolutions; however, the form and the legality of the Sublease shall have been approved by legal counsel to the City.
3. The City hereby approves, ratifies and confirms any and all actions previously taken by the City, its agents and representatives, in respect to the Sublease and the matters contemplated therein or related thereto on or before the date of this Resolution is adopted.
4. This Resolution shall take effect immediately upon its adoption.

Approved:

Mayor

Attest:

City Clerk

Approved as to
Form and Legal Sufficiency:

City Attorney

Exhibit A
(Form of Sublease)

COMMERCIAL SUBLEASE

by and between

**INDUSTRIAL DEVELOPMENT AUTHORITY
OF DANVILLE, VIRGINIA,**
a political subdivision of the Commonwealth of Virginia
("**Sublandlord**")

and

THE CITY OF DANVILLE, VIRGINIA,
a political subdivision of the Commonwealth of Virginia
("**Subtenant**")

for

**9,361 sq. ft. of UNIT 1
(SUITE 201 – ECONOMIC DEVELOPMENT & TOURISM)
420 MEMORIAL DRIVE
DANVILLE, VIRGINIA 24541
("Premises")**

_December 17, 2025

COMMERCIAL SUBLEASE

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COMMERCIAL SUBLEASE

THIS COMMERCIAL SUBLEASE (this "**Sublease**") is made as of the 17th day of December, 2025 ("**Effective Date**"), by and between INDUSTRIAL DEVELOPMENT AUTHORITY OF DANVILLE, VIRGINIA, a political subdivision of the Commonwealth of Virginia ("**Sublandlord**"), and THE CITY OF DANVILLE, VIRGINIA, a political subdivision of the Commonwealth of Virginia ("**Subtenant**") (collectively referred to herein as the "**Parties**" and each individually as a "**Party**").

RECITALS

This Sublease is made with reference to and is based on the following facts, circumstances, and intent of the Parties:

A. On or about December 15, 2022, White Mill MT 1, LLC, a Virginia limited liability company, as "**Master Landlord**," and Sublandlord, as "**Master Tenant**," entered into that certain Master Lease (Commercial) ("**Master Lease**"), pursuant to which Sublandlord leases from Master Landlord all of that certain real property situated in Danville, Virginia, commonly known as Unit No. 1 of the White Mill Condominium, 420 Memorial Drive, Danville, Virginia, 24541 owned by White Mill Shell & Commercial, LLC (the "**Landlord**") and more particularly described on Exhibit "A-1", attached hereto and incorporated herein by this reference, and as depicted on the survey on Exhibit "A-2", attached hereto and incorporated herein by this reference (the "**Property**"). All capitalized terms that are not otherwise defined herein shall have the meanings as set forth in the Master Lease, attached hereto and incorporated herein by this reference.

B. The Property is part of a larger condominium project comprised of 3 units within a mixed use condominium building located at 420 - 424 Memorial Drive, Danville, Virginia (the "**Building**"). The Building contains certain general common elements and limited common elements pertinent to Unit 1, as more particularly described on the condominium documents attached hereto as Exhibit "B" (the "**Condo Documents**"), together with common corridors, restrooms, mechanical spaces and elevator #3 within Unit 1, all of which areas are referred to herein as the "**Common Areas**".

C. Sublandlord, as tenant of the Property, desires to lease to Subtenant, and Subtenant desires to lease from Sublandlord, a portion of Unit No. 1, as more particularly described on Exhibit "A-1" (the "**Premises**").

D. Master Landlord and other owners of units in the Building have undertaken historic rehabilitation of the Building and pursuing federal and state historic rehabilitation tax credits (together, the "**Historic Tax Credits**") in connection therewith. The owners of all of the units within the Building have placed certain restrictions on the use, modification, alteration, and development of the Building, as more particularly set forth in that certain Declaration of Restrictions and Covenants Regarding Historic Compliance recorded against the Building on or about the December 15, 2022 (the "**Historic Declaration**").

E. Pursuant to Section 11 of the Master Lease, Sublandlord may sublease all or a portion of the Property without Master Landlord's approval or consent, subject to the conditions set forth in Section 1.3 hereof.

AGREEMENT

NOW THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Sublandlord and Subtenant hereby agree as follows:

SECTION 1. SUBLEASE OF PREMISES; OPTION TO PURCHASE

1.1 Conveyance Language. Effective as of the Effective Date, Sublandlord hereby leases to Subtenant, and Subtenant hereby leases and takes from Sublandlord, the Premises pursuant to the terms and upon

the agreements, covenants and conditions set forth in this Sublease.

1.2 Permitted Exceptions. This Sublease is subject to (a) all easements, covenants, conditions, restrictions, reservations, rights-of-way and other matters of record that are listed on Exhibit "C", attached hereto and incorporated herein by this reference; (b) the Master Lease, as referenced in that certain recorded Memorandum of Lease; (c) all matters that are discoverable by physical inspection of the Premises; and (d) all matters known to Subtenant or of which Subtenant has actual notice, (collectively, "**Permitted Exceptions**").

1.3 Use of the Premises.

1.3.1 *Permitted Use.* Subtenant shall have the right to use the Premises for any purpose permitted under applicable federal, state, county and municipal laws, ordinances, rules and regulations ("**Permitted Use**"), subject to the following:

(a) In no event shall the Premises be used for any purpose or use (nor shall any activity be carried on upon the Premises) which in any manner causes, creates or results in a public or private nuisance.

(b) The Premises may not be used for the following purposes: the operation of any facility used for gambling, such as off track betting (provided that state sponsored lottery tickets shall not be prohibited), or a store the principal business of which is the sale of alcoholic beverages for consumption off-premises (excluding holders of any of the following issued by the Virginia Alcoholic Beverage Control Authority: Marketplace License, Solicitor Salesman (Wine and Beer) Permit, Solicitor Tasting Permit, or equivalent permits); shooting gallery; adult bookstore or facility selling or displaying pornographic books, literature, or videotapes (materials shall be considered "adult" or "pornographic" for such purpose if the same are not available for sale or rental to children under eighteen (18) years because they explicitly deal with or depict human sexuality); bingo or similar games of chance, but lottery tickets and other items commonly sold in retail establishments may be sold as an incidental part of business.

(c) In no event shall the Premises be used for any Prohibited Uses identified in Exhibit "D" or any purpose or use expressly prohibited by the Historic Declaration and Condo Documents.

(d) In no event shall the Premises be used for any purpose not permitted by the City of Danville, the general plan, any specific plan, River District Design Commission Special Use Permit, TW-C Tobacco Warehouse Commission or other zoning ordinances, rules or regulations, or any conditions of, or terms of any agreements governing, the zoning approval for the Building.

1.3.2 *Violation of Permitted Use.* As further described in Section 12.1 below, any violation of Section 1.3.1(b) through (d), above, shall constitute a material Event of Default by Subtenant, giving Sublandlord a right to claim an immediate right to terminate this Sublease, after failure of the Subtenant to cure as set forth in Section 12.1.3.

1.3.3 *Effective Date.* Commencing upon the Effective Date, Sublandlord shall make the Premises available for Subtenant to undertake the Subtenant Improvements, if any, to be undertaken by Subtenant prior to the Commencement Date (as defined in Section 3.1), subject to the terms of Section 3.3 hereof. On the Effective Date, all terms, conditions and provisions of this Sublease shall become effective, valid and fully enforceable.

1.4 Quiet Enjoyment. Sublandlord covenants that Subtenant upon performance and observance by Subtenant of the agreements, covenants and conditions herein contained on the part of Subtenant to be performed and observed, and subject to the Permitted Exceptions set forth in Exhibit "C" attached hereto, shall peaceably hold and quietly enjoy the Premises during the entire Term, without hindrance, molestation or interruption by Sublandlord or by anyone lawfully or equitably claiming by, through or under Sublandlord.

1.5 Memorandum of Commercial Sublease. Subtenant shall have the right to record a

memorandum of this Sublease with the appropriate recording officer. Sublandlord shall execute and deliver each such memorandum, for no additional consideration, promptly upon Subtenant's request. However, all recordation filing fees and taxes, if any, shall be at the sole cost and expense of the party recording such memorandum.

SECTION 2. STATUS OF PROPERTY; CONDITION OF PREMISES; SUBLANDLORD'S WORK; SUBTENANT IMPROVEMENTS

2.1 Acknowledgment of Premises' Historic Preservation Status. The Parties agree and acknowledge that Master Landlord has undertaken expense and burden to obtain and maintain the status of the Premises, as part of the Building, as a Certified Historic Structure. In connection therewith, Master Landlord has renovated the Building to comply with the Standards for Rehabilitation established by the U.S. Secretary of the Interior set forth at 36 C.F.R. § 67.7 (the "**Secretary's Standards**"), and will qualify for historic rehabilitation tax credits available in connection with such rehabilitation work, which shall provide an important economic benefit to Master Landlord, which is passed through the Master Lease to Sublandlord.

2.1.1 Except for Alterations (as defined below) permitted to be undertaken by Subtenant without Sublandlord's consent pursuant to Section 6.1.1, which must comply with all other provisions of this Section 2.1, Subtenant agrees and acknowledges that it will not make any change to the interior or exterior of the Premises without Sublandlord's prior written consent, which consent shall not be unreasonably withheld, conditioned, or delayed; provided, Sublandlord's consent shall not be unreasonably withheld, conditioned, or delayed if Master Landlord's or any debt or equity party's consent is required, if such alteration is prohibited by the Condo Documents or Historic Declaration, if Master Landlord or any other party is required to verify compliance of such alterations with the Secretary's Standards, SHPO, or NPS, or if such alterations would violate the terms the following sentence. Subtenant also agrees and acknowledges that it will not make any Alterations to the Premises or take any actions that will have the effect of or cause any impairment to the use of or any recapture, reduction or loss of any federal, state or local tax credits applicable to the Building or any renovations thereof.

2.1.2 Subtenant expressly agrees and acknowledges that any change or Alteration Subtenant intends to make to the Premises during the Historic Compliance Period (following Sublandlord's written approval, if applicable), including any Alterations not requiring Sublandlord approval pursuant to Section 6.1.1, shall comply with any and all requirements of the Virginia Department of Historic Resources (the "**State Historic Preservation Office**" or "**SHPO**") and the National Park Service of the U.S. Department of the Interior ("**NPS**"). Unless the same is contracted for by Sublandlord and paid for by Sublandlord as part of the Maximum Allowance (defined below), all as set forth in Section 2.3.1 below, Subtenant shall be responsible for any and all costs related to any such change or Alteration, including, but not limited to, Sublandlord's costs, if any, to ascertain whether such change or alteration meets the Secretary's Standards.

2.1.3 If Sublandlord grants consent, any such Alterations shall be performed in a good and workmanlike manner in accordance with all applicable legal and insurance requirements, including, but not limited to, any and all requirements, standards, and approvals required by SHPO and NPS (including the standards set forth in Section 2.1.4 below), and only after consultation with, and approval by, Sublandlord's and/or Master Landlord's historic consultant, all at Subtenant's expense unless the same is contracted for by Master Landlord and paid for by Master Landlord as part of the Maximum Allowance, all as set forth in Section 2.3.1 below.

2.1.4 *Standards for Rehabilitation.* The Parties acknowledge and agree that the State Historic Preservation Office, by and through its designated officer, is responsible for making substantive judgments as to whether a structure meets the criteria for listing in the National Register of Historic Places or the "Secretary's Standards for Evaluating Structures within Registered Historic Districts," whether the rehabilitation of a certified historic structure meets the Secretary's Standards, and for forwarding the recommendations to the Secretary of the Interior within the prescribed time period. Under applicable United States Treasury regulations, the NPS, by and through its designated officer, is responsible for the same activities delineated in the preceding sentence. The Parties further acknowledge and agree:

(a) The SHPO and NPS interpret the Secretary's Standards to require that the quality of materials and craftsmanship used in a rehabilitation project must be commensurate with the quality of materials and craftsmanship of the historic building in question.

(b) The SHPO and NPS shall evaluate applications for certifications of rehabilitation pursuant to the Secretary's Standards of Rehabilitation as provided in 36 C.F.R. 67.7(a)-(d) and (f). The Secretary's Standards shall apply to interior and exterior features, related landscape features, the building's site and environment, as well as attached, adjacent or related new construction. The SHPO and NPS shall also consult the NPS Guidelines for Rehabilitating Historic Building and the NPS Preservation Briefs during review of applications. Both publications are available for inspection with the SHPO. The SHPO shall also consider the economic and technical feasibility of application of the Secretary's Standards to the project under consideration.

2.2 Condition of Premises.

2.2.1 Subtenant accepts the Premises in its AS-IS, WHERE-IS condition, subject to Sublandlord's completion of the Sublandlord's Work, without representation or warranty except as otherwise expressly set forth herein.

2.2.2 Sublandlord, to the extent assignable, will assign any representations and warranties of Sublandlord's contractors for Sublandlord's Work required herein that conform with the plans, drawings, and specifications submitted by Sublandlord or Master Landlord in connection with the Historic Preservation Project and approved by the City of Danville, Virginia (the "**Historic Rehab Plans**").

2.2.3 Sublandlord has not placed, installed or stored in, at, on, or under the Premises any Hazardous Materials (as defined below) in violation of any Environmental Laws (as defined below). However, subtenant recognizes the existence of encapsulated lead-based paint on the concrete ceilings, walls and columns of the original structure and shall take necessary precautions and environmental notices in the event that any of the subtenant's activities cause disturbance or require removal of the encapsulant or lead based paint.

(a) "**Hazardous Materials**" means "Hazardous Material," "Hazardous Substance," "Pollutant or Contaminant," and "Petroleum" and "Natural Gas Liquids," as those terms are defined or used in the Comprehensive Environmental Response Compensation and Liability Act ("**CERCLA**") and any other substances regulated because of their effect or potential effect on public health and the environment, including PCBs, lead paint, asbestos, urea formaldehyde, radioactive materials, putrescible materials, and infectious materials.

(b) "**Environmental Laws**" means, without limitation, the Resource Conservation and Recovery Act, CERCLA and other federal, state, county, municipal and other local laws governing or relating to Hazardous Materials or the environment, together with their implementing regulations, ordinances and guidelines.

2.2.4 Subtenant shall not, and shall not permit any Subtenant Parties (as defined in Section 8.2.1) to, use, store, release, or transport any Hazardous Materials at, in, over, under or across the Premises except for such de minimis amounts of Hazardous Materials in amounts customary in connection with Subtenant's Permitted Use of the Premises and in strict compliance with all Environmental Laws. Subtenant also recognizes the existence of encapsulated lead-based paint on the concrete ceilings, walls and columns of the original structure and shall take necessary precautions and environmental notices in the event that any of the subtenant's activities cause disturbance or require removal of the encapsulant or lead based paint. Subtenant shall indemnify, defend, and hold harmless Sublandlord, Master Landlord, and the Lien Holders from and against any violations of Subtenant's obligations under this Section 2.2.4 or any release of any Hazardous Materials by any of the Subtenant Parties in, at, under, or over the Premises. The indemnity by Subtenant set forth in this Section 2.2.4 shall survive the expiration or earlier termination of this Sublease.

2.3 Sublandlord's Work; Subtenant Improvements.

2.3.1 As further described on the construction documents for the “**Approved Alterations**” attached as Exhibit "E", Sublandlord has caused the Landlord to perform, at its sole cost and expense, the construction of the Approved Alterations on behalf of Subtenant that are classified as "Qualified Rehabilitation Expenditures," as defined in Section 47 of the Internal Revenue Code ("**QREs**). Any Improvements that do not qualify as QREs may be made by Subtenant, provided the same will be considered Alterations (as defined herein), and shall be subject to all terms and conditions herein related to Alterations, including without limitation Section 6 hereof.

2.4 Maintenance.

2.4.1 *Subtenant Maintenance.* Except as provided in Section 2.4.2 below, Subtenant shall, at Subtenant's sole cost and expense, keep the interior and exterior of the Premises, and the fixtures and equipment therein, including the Subtenant Improvements, permitted Alterations, all partitions, doors, and all equipment, fixtures, including MEP and HVAC systems located exclusively within and serving only the Premises and personal property located at or within the Premises, in clean, safe and sanitary condition and in good condition and repair consistent with the condition of the Historic Preservation Project, and suffer no waste or injury thereto.

2.4.2 *Sublandlord Maintenance.* Sublandlord shall be responsible, at Sublandlord's sole cost and expense (but subject to reimbursement therefor by Subtenant as set forth in Section 4.2.1 below), for any and all repairs, maintenance and replacements to all shared Building electrical, mechanical and plumbing systems ("**MEP**"), heating, ventilating and air conditioning systems ("**HVAC**"), windows, structural elements of the Buildings, the roof of the Buildings and other maintenance and repair obligations expressly included as part of the Additional Rent and subject to reimbursement from Subtenant.

(a) Sublandlord shall be responsible for all landscaping and lawn maintenance related to the Property, and shall maintain all access drives and parking areas at the Property in good condition, including the removal of rubbish, ice, snow and other accumulating precipitation from the surface thereof.

(b) In addition to Subtenant's payment obligations pertaining to Additional Rent, in the event that any such repairs or replacements are required due to the negligent or intentional acts of Subtenant or any of the Subtenant Parties (as defined below), Subtenant shall immediately reimburse Sublandlord, on demand, for Sublandlord's actual and reasonable costs and expenses incurred in making such repairs and replacements.

(c) Subtenant shall promptly notify Sublandlord for any items or conditions requiring repair or maintenance for which Sublandlord is responsible under this Sublease.

(d) In the event that Subtenant fails to undertake any of its maintenance obligations with respect to its exclusive use of any limited common elements, Subtenant acknowledges that the condominium association has the right pursuant to the Condo Documents to undertake such maintenance, repair, or replacement obligations and levy an assessment against the Premises for the cost of such work, payment for which shall be the responsibility of Subtenant as Additional Rent.

SECTION 3. TERM; OPTIONS TO EXTEND TERM; RIGHT TO INSPECT; HOLDING OVER

3.1 Initial Term of Sublease. The initial term of this Sublease shall be ten (10) years (the "**Initial Term**") commencing on December 31, 2025 (the "**Commencement Date**"), and, unless sooner terminated or extended as herein provided, terminating on ten (10) years thereafter .

3.1.1 *Commencement Date Notice.* Sublandlord shall deliver to Subtenant written notice in substantially the form of Schedule "3" ("**Commencement Date Notice**") confirming the Commencement Date and, in such event, Subtenant must acknowledge such Commencement Date by returning to Sublandlord an executed copy of the Commencement Date Notice within ten (10) Business Days of Subtenant's receipt thereof. For purposes of this Sublease, the term "**Business Day**" shall mean any day that is not a Saturday, Sunday, or a holiday recognized

by the City of Danville, Virginia, or the Commonwealth of Virginia where nonessential state offices are closed.

3.1.2 *Failure to Return Commencement Date Notice.* If Subtenant fails to return the Commencement Date Notice to Sublandlord within such ten (10) Business Day period, Subtenant will conclusively be deemed to have approved the contents of the Commencement Date Notice.

3.2 Options to Extend Term. Provided that an uncured Event of Default by Subtenant is not then in existence under this Sublease, either at the time of the exercise of the options set forth herein or at the time of the commencement of the Extension Periods (as defined below) contemplated hereunder, Subtenant may elect to extend the Initial Term of this Sublease ("**Extension Option(s)**") for all of the Premises for one (1) additional period of ten (10) years (collectively, the "**Extension Periods**"), by delivering to Sublandlord not later than three (3) months before the end of the Initial Term of this Sublease or the applicable Extension Period, as applicable, a written notice (the "**Extension Notice**") of such election. In the event the Extension Notice is not delivered, the Subtenant shall be deemed to have delivered the respective Extension Notice and the Term shall be automatically extended. The Initial Term, together with any exercised Extension Periods, is hereinafter referred to as the "**Term**."

3.2.1 *Commencement of Extension Period.* The first Extension Period shall commence on the day immediately following the last day of the Initial Term and each succeeding Extension Period (as applicable) shall commence on the day immediately following the last day of the previous Extension Period, and shall be subject to all the terms and conditions of this Sublease, except that the Minimum Rent for the applicable Extension Period shall be determined in accordance with Section 3.2.3 below.

3.2.2 *Extension Options Not Personal.* The Extension Options set forth herein are not personal to Subtenant and may be exercised by any assignee of the Sublease permitted under the terms of the Sublease. However, (a) no such Extension Option is assignable separate and apart from the Sublease, and (b) no subtenant or sublessee of Subtenant shall have the right to exercise any Extension Option.

3.2.3 *Minimum Rent during Extension Periods.* Minimum Rent shall increase by Two Percent (2%) on an aggregate basis each year during each Extension Period, with the Minimum Rent during the first year of the first Extension Period being one hundred and Two Percent (102%) of the Minimum Rent in effect during the prior lease year, and the Minimum Rent increasing by Two Percent (2%) each year thereafter, all as shown on Schedule "2" attached hereto.

3.2.4 *Term shall not exceed length of term of Master Lease.* Notwithstanding anything herein to the contrary, including without limitation the terms of Section 3.1 or 3.2 hereof, the Term shall not exceed the length of the term of the Master Lease (twenty (20) years), and shall be deemed to expire one (1) day prior to the expiration of the term of the Master Lease.

3.3 Occupancy. As of the Effective Date, Subtenant shall have the right to enter into the Premises, subject to the following terms and conditions:

3.3.1 Subtenant's entry prior to the Commencement Date may not interfere with the construction of any improvements (including performance of the Sublandlord's Work or Subtenant Improvements) or cause labor difficulties;

3.3.2 Subtenant's entry prior to the Commencement Date must be on all the terms and conditions of this Sublease;

3.3.3 Subtenant must provide in advance evidence of insurance that is satisfactory to Sublandlord, including without limitation any applicable insurance set forth in the Work Letter attached as Exhibit "D";

3.3.4 Subtenant must indemnify, defend and hold harmless Sublandlord and Sublandlord's agents, employees and contractors against all claims, liabilities and damages arising from Subtenant's entry prior

to the Commencement Date; and

3.3.5 Unless and until a valid certificate of occupancy is issued with respect to such portion of the Premises occupied by Subtenant for its intended business use thereof, Subtenant shall not occupy the Premises to conduct any business operations from the Premises.

3.4 Sublandlord's Right of Inspection. Sublandlord may, and may allow Master Landlord or any Lien Holders to, at any reasonable time and from time to time during the Term, with twenty-four (24) hours written notice delivered to Subtenant as set forth herein (except in the event of an emergency), enter upon the Premises for the purpose of inspecting the Buildings or improvements now or hereafter located thereon and for such other purposes as may be necessary or proper for the reasonable protection of their respective interests.

3.5 Title to Premises and Subtenant Improvements.

3.5.1 *Title to Premises, Buildings and Other Structures.* Fee simple title to the Premises, Buildings, structures and improvements that now, or may from time to time constitute a part of the Premises, shall be and remain in Master Landlord at all times during the Term of this Sublease. Sublandlord shall retain the primary leasehold title to the Premises, Buildings, structures and improvements that now, or may from time to time constitute a part of the Premises, during the term of the Master Lease and the Term of this Sublease pursuant to the terms of the Master Lease. Subtenant's rights to use the Premises and rights under this Sublease shall be subject and subordinate in all respects to the terms and conditions of the Master Lease.

3.5.2 *Title to Subtenant Improvements.* All Subtenant Improvements that are constructed on the Premises (the "**HTC Eligible Subtenant Improvements**") shall be owned by Sublandlord and considered part of the Premises during the Term. HTC Eligible Subtenant Improvements shall be listed on Exhibit "E", attached hereto and incorporated herein by this reference.

(a) Subtenant shall have title to all Subtenant Improvements that are constructed on the Premises by Subtenant under this Sublease at Subtenant's sole cost and expense, and such fee simple title and the like with respect to the Non-HTC Eligible Subtenant Improvements shall remain in Subtenant during the Term of this Sublease; provided, however, that the maintenance and removal of such items shall be governed by the terms of this Sublease, including, without limitation, Section 3.6.2 below. Non-HTC Eligible Subtenant Improvements shall be listed on Exhibit "F", attached hereto and incorporated herein by this reference.

(b) Fee simple title and the like to all equipment, furnishings and trade fixtures placed by Subtenant on the Premises and not contracted for by Sublandlord shall remain in Subtenant, including all replacements, substitutions and modifications thereof. During the Term of this Sublease, Subtenant shall not remove, modify, alter or dispose of any portion of the HTC Eligible Subtenant Improvements without Sublandlord's advance written consent, which consent may be withheld or conditioned in Sublandlord's sole and absolute discretion.

3.6 Holding Over and Sublease Termination; Restoration of Premises.

3.6.1 *Surrender the Premises to Sublandlord upon the Expiration or Termination.* Subtenant shall surrender the Premises to Sublandlord upon the expiration or termination of this Sublease in accordance with Section 3.6.2 below.

3.6.2 Notwithstanding any rights of Subtenant under Section 1.6, this Sublease shall terminate without further notice upon the expiration of the Term or any Extension Period validly exercised by Subtenant, and any holding over by Subtenant after the expiration of the Term or any Extension Period validly exercised by Subtenant, as applicable, shall not constitute a renewal hereof or give Subtenant any rights hereunder or in or to the Premises, it being understood and agreed that this Sublease cannot be renewed, extended or in any manner modified (except in writing signed by Sublandlord and Subtenant) and it is further agreed to between the Parties that Subtenant, on termination of this Sublease, shall execute and deliver any and all deeds, bills of sale, assignments

and other documents, which in Sublandlord's sole judgment may be necessary or appropriate to transfer, to evidence or to vest in Sublandlord clear title to any of the property located on the Premises at the time of such termination.

3.6.3 Except as otherwise set forth herein, in the event that Subtenant continues in possession of the Premises after the expiration of the Term, Subtenant shall be deemed to be occupying the Premises as a month-to-month tenant, and Subtenant during such tenancy shall pay Minimum Rent in the amount of One Hundred and Fifty Percent (150%) of the amount of Minimum Rent for the year of the Term in effect prior to such holdover.

3.6.4 Such month-to-month tenancy may be terminated at the end of any calendar month by either Sublandlord or Subtenant giving the other at least thirty (30) days prior written notice. The foregoing provisions shall not affect or impair, and shall be in addition to, Sublandlord's rights to pursue any and all remedies for Subtenant's default resulting from such holdover available under this Sublease, at law or in equity.

3.6.5 Upon expiration or earlier termination of the Term or Subtenant's right to possession of the Premises, Subtenant shall return the Premises to Sublandlord in good order and condition, ordinary wear, tear, and insured casualty loss excepted.

(a) If Subtenant does not, on or before the expiration or termination of the Term or Subtenant's right to possession of the Premises, remove all personal property or other items which Subtenant has either the option to remove or which Subtenant is required to remove, then Subtenant shall be conclusively presumed to have conveyed the same to Sublandlord without further payment or credit by Sublandlord to Subtenant, or at Sublandlord's sole option, with respect to items which Subtenant is required to remove, and without limiting any other rights or remedies available to Sublandlord, such items shall be deemed abandoned, in which event Sublandlord may cause such items to be removed and disposed of and the Premises to thereupon be repaired to the condition required herein, all at Subtenant's expense, which shall be One Hundred Ten Percent (110%) of Sublandlord's actual cost of removal, disposal and repair of damage caused by the installation or removal of such items, without notice to Subtenant and without obligation to compensate Subtenant (provided Subtenant shall receive a credit for any compensation actually received by Sublandlord for such items, if any), and Subtenant shall pay such amounts to Sublandlord promptly following Sublandlord's demand therefor from time to time. All HTC Eligible Subtenant Improvements shall remain at the Premises following expiration or termination of the Term of this Lease without disturbance, molestation or injury.

(b) All Alterations to the Premises and Non-HTC Eligible Subtenant Improvements shall, at the election of Sublandlord (as identified on Exhibit "G" (Alterations) or Exhibit "F" (Non-HTC Eligible Subtenant Improvements)), remain upon the Premises and be surrendered with the Premises at the expiration or termination of the Term without disturbance, molestation or injury, or be removed by Subtenant if Sublandlord so directs Subtenant prior to expiration of the Term or upon termination of this Sublease. If Sublandlord requires any Alterations and Non-HTC Eligible Subtenant Improvements to be removed, and such Alteration and Non-HTC Eligible Subtenant Improvements require Sublandlord's consent prior to installation thereof, Sublandlord shall inform Subtenant at the time of providing such consent whether or not the Alteration and Non-HTC Eligible Subtenant Improvements shall be required to be removed upon expiration or termination of the Term of this Sublease. As to any Alterations and Non-HTC Eligible Subtenant Improvements required to be removed by Subtenant, Subtenant will do so at its sole cost and expense. If Subtenant fails to perform such removal, then Sublandlord may remove the Alterations and Non-HTC Eligible Subtenant Improvements at Subtenant's expense, and Subtenant shall reimburse Sublandlord for the cost of such removal and resulting repairs to the Premises, together with any and all damages that Sublandlord sustains by reason of the failure of Tenant to remove the Alterations on a timely basis.

SECTION 4. MINIMUM RENT; ADDITIONAL RENT; OTHER PAYMENTS; UTILITIES

Subtenant shall pay to Sublandlord as rental for the use and occupancy of the Premises, at the times and in the manner hereinafter provided the following sums of money:

4.1 Minimum Rent Amounts. Subtenant shall pay to Sublandlord annual minimum rent (the

"**Minimum Rent**") in the following amounts:

4.1.1 Subject to the provisions of Section 13.17 below, from the Commencement Date, Subtenant shall pay a lump sum of Minimum Rent in the amount of **One Hundred Forty Nine Thousand Seven Hundred Seventy Six and 00/100 Dollars (\$149,776.00)**, payable in equal monthly installments of **Twelve Thousand Four Hundred Eighty One and 33/100 Dollars (\$12,481.33)** commencing on the Commencement Date and the first day of each month thereafter. The annual Minimum Rent set forth in this Section 4.1.1 shall increase by Two Percent (2%) annually on an aggregate basis, as shown on Schedule "2" attached hereto. No Minimum Rent shall be due between the Effective Date and Commencement Date.

4.2 Additional Rent. Commencing on the Commencement Date and continuing thereafter during the Term, Subtenant shall pay its prorated share to Sublandlord, or to the applicable third parties to whom such amounts are payable, at Sublandlord's election, as "**Additional Rent**" (together with the applicable Minimum Rent, collectively "**Rent**"), all Insurance and Taxes, as defined herein, levied or assessed against the Premises during the Term, all condominium association dues, levies, assessments, or charges levied or assessed against the Premises during the Term pursuant to the Condo Documents, and the costs of Common Area management, maintenance, trash collection and utilities levied or assessed against the Premises during the Term; all of which are itemized in the Common Area Maintenance ("CAM") Budget attached as Exhibit "J". The Sublandlord shall update, and provide to the Subtenant, the budget for each year's Additional Rent by December 1 of the preceding year.

4.2.1 Commencing on the Commencement Date, the annual Additional Rent shall be **Forty Four Thousand Seven Hundred Eighty Five and 43/100 Dollars (\$44,785.43)** payable in equal monthly installments of **Three Thousand Seven Hundred Thirty Two and 12/100 Dollars (\$3,732.12)** accordance with Section 4.3 hereof, adjusted to reflect the updated CAM Budget on each anniversary of the Commencement Date. Should the Sublandlord fail to provide the budget for the Additional Rent as set forth in this Section 4.2, the Additional Rent shall increase by Three Percent (3%) over the previous year's budget.

4.2.1 **Rent Payment.** Rent payable pursuant to Section 4.1 and Section 4.2 shall be paid in advance, without notice, demand, abatement, deduction, counterclaim, set-off, defense or otherwise, in lawful money of the United States, to Sublandlord at such address as Sublandlord shall notify Subtenant from time to time, in equal monthly installments of **Sixteen Thousand Two Hundred Thirteen and 45/100 Dollars (\$16,213.45)** due and payable on the first (1st) day of each month, provided that if the Commencement Date is not the first day of a month, Minimum Rent for the month in which the Commencement Date occurs shall be due within five (5) days of the Commencement Date and Minimum Rent shall be prorated for such month. In the event the annual Minimum Rent and Additional Rent changes pursuant to Section 4.1 and Section 4.2 above, the monthly installments under this Section 4.3 shall automatically adjust to equal monthly installments of newly calculated annual Rent amount.

4.3 Utilities. Subtenant shall pay, directly to the appropriate utility supplier thereof, all utility bills relating to services specially or exclusively supplied and/or metered exclusively to the Premises or otherwise relating to Subtenant's use or occupancy thereof, including, but not limited to, water, sewer, gas, electricity, fuel, garbage collection, and sanitary services (collectively, "**Utilities**").

SECTION 5. TAXES AND ASSESSMENTS

5.1 From and after the Commencement Date, Sublandlord shall pay (or cause Master Landlord to pay, to the extent payable by Master Landlord under the Master Lease) all Taxes (as defined in Section 5.1.1 hereof) which shall be included in the CAM Budget.

5.1.1 As used in this Sublease, "**Tax**" or "**Taxes**" shall mean and include any form of federal, state, county or local government or municipal taxes, fees, charges or other impositions of every kind (whether

general, special, ordinary, or extraordinary) related to the ownership, leasing or operation of the Premises by Sublandlord, including, without limitation, the following: (a) all real estate taxes or personal property taxes levied, payable or imposed against the Premises, as such property taxes may be reassessed from time to time; (b) other taxes, charges and assessments which are levied with respect to this Sublease, and any improvements, fixtures, and equipment and other property of Sublandlord; (c) all assessments and fees for public improvements, services, and facilities and impacts thereon, including, without limitation, arising out of any community facilities district, special improvement district, or similar assessment districts, and any traffic impact mitigation assessments or fees; (d) any tax, surcharge or assessment which shall be levied in addition to or in lieu of real estate or personal property taxes; (e) taxes based on the receipt of rent (including gross receipts or sales taxes applicable to the receipt of rent); and (f) costs and expenses incurred in contesting the amount or validity of any Tax by appropriate proceedings. Notwithstanding the foregoing, Subtenant shall not be required to pay any franchise, capital levy or transfer tax of Sublandlord, or any net income tax measured by the income of Sublandlord from all sources, or any tax which may, at any time during the Term, be required to be paid on any gift or demise, deed, mortgage, descent or other alienation of any part of all of the estate of Sublandlord in and to the Premises or any buildings or improvements which are now or hereafter located thereon, except as hereinafter provided.

5.1.2 Notwithstanding anything herein to the contrary, Sublandlord shall not be required to pay: (a) any franchise tax or tax on the revenues or income of Subtenant at the Premises, (b) any net income tax measured by the income of Subtenant from any source, (c) any special, ordinary, or extraordinary assessments against or impacting the Property which become due or payable in connection with public or private improvements installed by any governmental authority at or proximate to the Property at the request of Subtenant or as a result of Subtenant's use of or operations at the Premises, (d) any taxes on the use or ownership of any furniture, fixtures, equipment, or other personal property owned by Subtenant and located at the Premises, or (e) any documentary transfer tax assessed or levied upon the creation of a leasehold interest in the Premises under this Sublease. Subtenant shall be responsible for payment of all charges, expenses, invoices, and bills for any items described in this Section 5.1.2.

5.1.3 If Subtenant shall be required by law to pay, and pursuant thereto does pay, any Tax or Taxes set forth in Section 5.1.1, Sublandlord shall, immediately upon request, reimburse Subtenant for any such payments. If such immediate reimbursements are not forthcoming, Subtenant shall receive a credit against the Additional Rent next due hereunder for the full amount of such delinquent reimbursements. If Sublandlord shall be required by law to pay, and pursuant thereto does pay, any amount set forth in Section 5.1.2, Subtenant shall, promptly following demand therefor by Sublandlord, reimburse Sublandlord for any such payments made by Sublandlord.

SECTION 6. ALTERATIONS; PERMITS; LIENS

6.1 Alterations.

6.1.1 Except as provided in the Approved Alterations included on Exhibit "G", Subtenant shall not make or allow to be made any alterations, additions or improvements in or to the interior or exterior of the Premises (collectively, "**Alterations**"; a attached hereto and incorporated herein by this reference) without first obtaining Sublandlord's written consent, which consent shall not be unreasonably withheld, conditioned or delayed. Notwithstanding the foregoing, Subtenant shall be required to provide Sublandlord with prior written notice, but Sublandlord's consent will not be required if:

(a) the proposed Alterations will not affect the MEP or other building systems or the structure or roof of the Buildings;

(b) the total cost to acquire and install the proposed Alterations will be no more than Ten Thousand Dollars (**\$10,000.00**);

(c) the proposed Alterations comply with the requirements set forth in Section 2.1 hereof, provided that Subtenant, as part of the notice to be provided to Sublandlord, shall provide evidence of

compliance of such Alterations with Section 2.1 and provide Sublandlord with periodic updates as to the compliance with Section 2.1 during the pendency of such Alterations; and

(d) the proposed Alterations are permitted pursuant to the Master Lease and the documents evidencing the indebtedness held by any Lien Holder (the "**Project Documents**"), to be determined following consultation with Sublandlord (and Master Landlord, if necessary).

6.1.2 If at any time Sublandlord has reason to believe such Alterations do not or will not comply with Section 2.1, Sublandlord shall notify Subtenant of the same in writing, and Subtenant will discontinue such Alterations promptly following receipt of such notice. For avoidance of doubt, Sublandlord will not be considered to have unreasonably withheld, conditioned, or delayed its consent if:

(a) Sublandlord requires as a condition to such Alterations the consent of the Master Landlord and any Lien Holders of Sublandlord or Master Landlord;

(b) such Alterations are inconsistent with Section 2.1, any other term of this Lease, or in any way jeopardize the issuance of, or would cause or result in the recapture of, any tax credits issued or to be issued in connection with the Historic Preservation Project; or

(c) such Alterations are prohibited by the Master Lease or the Project Documents.

6.1.3 Any and all Alterations (other than changes or alterations of movable trade fixtures and equipment) shall be undertaken in all cases subject to the following additional conditions, which Subtenant covenants to observe and perform:

(a) No improvement, change or alteration shall be undertaken until Subtenant shall have procured and paid for, so far as the same may be required from time to time, all municipal and other governmental permits and authorizations of the various municipal departments and governmental subdivisions having jurisdiction, and Sublandlord agrees to join in the application for such permits or authorizations whenever such action is necessary.

(b) All work done in connection with any Alteration shall be done promptly and in a good and workmanlike manner and in compliance with all laws, ordinances, orders, rules, regulations and requirements of all federal, state and municipal governments and the appropriate departments, commissions, boards and officers thereof, including all requirements set forth in Section 2.1 of this Sublease. All such work shall be at the sole cost and expense of Subtenant.

(c) In addition to the insurance coverage referred to in Section 8 below, Workers' Compensation Insurance covering all persons employed in connection with the work and with respect to whom death or injury claims could be asserted against Sublandlord, Subtenant or the Premises, and a general liability policy coverage, naming Sublandlord with limits of not less than Two Million Dollars (**\$2,000,000.00**), shall be maintained by Subtenant, at Subtenant's sole cost and expense, at all times when any work is in process in connection with any Alteration. All such insurance shall be obtained and kept in force as otherwise provided in Section 8 below.

6.2 Permits, Licenses, Etc. Sublandlord will, from time to time, during the Term, at no cost to Sublandlord, execute and deliver all applications for permits, licenses or other authorizations relating to the Premises required by any municipal, county, state, or federal authorities, in connection with the Subtenant Improvements or required in connection with Subtenant's use and occupancy of the Premises for the Permitted Use, provided such permit, license or other authorization is consistent with the terms of this Sublease. Sublandlord will, from time to time, during the Term, to the extent permissible under the Master Lease and approved by Master Landlord and the Lien Holders, execute, acknowledge and deliver any and all instruments required to grant rights-of-way and easements in favor of municipal and other governmental authorities or public utility companies incident to the installation of water lines, fire hydrants, sewers, electricity, telephone, gas, steam and other facilities and

utilities reasonably required for the use and occupancy of the Premises. For avoidance of doubt, Subtenant shall not be authorized to, and Sublandlord shall not be required to join in any efforts to, change the zoning or permitting related to the Premises or take any action which would result in a breach of the covenants of Sublandlord or Master Landlord under the Master Lease or the Project Documents, or in any way jeopardize the issuance of, or would cause or result in the recapture of, any tax credits issued or to be issued in connection with the Historic Preservation Project.

6.3 Mechanics' and Other Liens. In the event a mechanics', materialmen's and/or laborers' lien shall be filed against the Premises or Subtenant's interest therein as a result of any work undertaken by Subtenant, Subtenant shall, within thirty (30) days of receiving notice of such lien, discharge the same either by payment of the indebtedness due to the lien claimant or by filing a bond for the benefit of Sublandlord as security for such lien. The amount of the bond shall be one and one half (1.5) times the amount of the claimed lien, and such bond shall be executed by a solvent insurance carrier acceptable to Sublandlord. In the event Subtenant shall fail to discharge such lien, Sublandlord shall have the right, but not the obligation, to procure such discharge, and Subtenant shall immediately pay the cost of discharging such lien to Sublandlord, with interest thereon at a rate of ten percent (10%) per annum, upon written demand by Sublandlord. Such cost of discharging the lien shall include without limitation the cost of a bond which Sublandlord shall procure, any amounts paid to the lien claimant and attorneys' fees.

6.4 Signs. Any signs desired by Subtenant at the exterior of the Premises shall be considered Alterations regardless of whether or not such signs or modified signs meet the conditions of Section 6.1.1(a)-(d) above.

SECTION 7. REPRESENTATIONS AND WARRANTIES

7.1 Sublandlord's Representations and Warranties. Sublandlord represents and warrants to Subtenant on and as of the Effective Date of this Sublease, as follows:

7.1.1 Sublandlord is a political subdivision of the Commonwealth of Virginia duly formed, validly existing and in good standing under the laws of the Commonwealth of Virginia and has the requisite power and authority to enter into this Sublease and the instruments referenced herein, and to consummate the transactions contemplated hereby.

7.1.2 The execution, delivery and performance of this Sublease by Sublandlord and all agreements, instruments and documents herein provided to be executed by Sublandlord: (a) do not violate the _____ of Sublandlord, or any contract, agreement, commitment, lease, order, judgment or decree to which Sublandlord is a party; and (b) have been duly authorized by the consent of Master Landlord, to the extent necessary. The individual(s) executing this Sublease and the instruments referenced herein on behalf of Sublandlord have the legal power, right and actual authority to bind Sublandlord to the terms and conditions hereof and thereof. This Sublease is valid and binding upon Sublandlord, subject to bankruptcy, reorganization and other similar laws affecting the enforcement of creditors' rights generally.

7.1.3 Neither the execution, delivery or performance of this Sublease, nor the consummation of the transactions contemplated hereby, is prohibited by, or requires Sublandlord to obtain any consent, authorization, approval or registration under any law, statute, rule, regulation, judgment, order, writ, injunction or decree, which is binding upon Sublandlord that has not been previously obtained.

7.1.4 Sublandlord is not a "foreign person," as such term is defined in Section 1445 of the Internal Revenue Code or any regulations promulgated thereunder, as amended.

7.1.5 A list of all leases, including the Master Lease, affecting the Premises on the date of this Sublease is attached to this Sublease as Exhibit "H," true, correct and complete copies of which have been delivered to Subtenant. Except as otherwise provided for in Exhibit "H," (i) the leases are in good standing and in full force and effect in accordance with their respective terms; (ii) the leases have not been modified, amended, terminated, renewed or extended, except as set forth in the applicable lease; and (iii) to Subtenant's actual knowledge, none of

the parties to any lease is in default of any of its obligations thereunder and no event has occurred that, with the giving of notice or passage of time, or both, would constitute a default thereunder.

7.1.6 There is no litigation, arbitration or other legal or administrative suit, action, proceeding or investigation pending or threatened against or involving Sublandlord or the ownership or operation of the Premises.

7.1.7 Sublandlord has received no notice from any public authority of any eminent domain or condemnation proceedings conceding the Premises or any part thereof. Sublandlord further warrants that in the event it receives any such notice, it will promptly provide said notice to Subtenant.

7.1.8 Attached hereto as Exhibit "H" is a list of all contracts binding against the Buildings, Premises, or Property as of the date hereof, compliance with which Subtenant shall be responsible.

7.1.9 Sublandlord has not received notice of any material violation of any law or municipal ordinance, order or requirement noted or issued against the Premises by any governmental authority having jurisdiction over the Premises, that has not been cured, corrected or waived as of the Effective Date.

7.1.10 Sublandlord is not, and will not become, a person or entity with whom United States persons or entities are restricted or prohibited from doing business under regulations of the Office of Foreign Asset Control ("**OFAC**") of the Department of the Treasury (including those named on OFAC's specially designated and blocked persons list) or under any statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism) or other governmental action and is not and will not engage in any dealings or transactions or be otherwise associated with such persons or entities.

7.1.11 The representations and warranties of Sublandlord set forth in this Section 7.1 shall survive throughout the Term of this Sublease and will not be affected by any investigation, verification or approval by any Party or anyone on behalf of any Party to this Sublease.

7.2 Subtenant's Representations and Warranties. Subtenant represents and warrants to Sublandlord on and as of the Effective Date of this Agreement as follows:

7.2.1 Subtenant is a political subdivision of the Commonwealth of Virginia duly formed, validly existing and in good standing under the laws of the state Virginia, is qualified to conduct business in the Commonwealth of Virginia and has the requisite power and authority to enter into this Sublease and the instruments referenced herein, and to consummate the transactions contemplated hereby.

7.2.2 The execution, delivery and performance of this Sublease by Subtenant and all agreements, instruments and documents herein provided to be executed by Subtenant on the Effective Date: (a) do not violate the articles of incorporation, bylaws, or other similar governance documents of Subtenant, or any contract, agreement, commitment, lease, order, judgment or decree to which Subtenant is a party; and (b) have been duly authorized by the consent of the City Council of Subtenant and the appropriate and necessary action has been taken by such City Council on the part of Subtenant. The individual(s) executing this Sublease and the instruments referenced herein on behalf of Subtenant have the legal power, right and actual authority to bind Subtenant to the terms and conditions hereof and thereof. This Sublease is valid and binding upon Subtenant, subject to bankruptcy, reorganization and other similar laws affecting the enforcement of creditors' rights generally.

7.2.3 Neither the execution, delivery or performance of this Sublease, nor the consummation of the transactions contemplated hereby, is prohibited by, or requires Subtenant to obtain any consent, authorization, approval or registration under any law, statute, rule, regulation, judgment, order, writ, injunction or decree, which is binding upon Subtenant that has not been previously obtained.

7.2.4 Subtenant is not, and will not become, a person or entity with whom United States persons or entities are restricted or prohibited from doing business under regulations OFAC (including those named on OFAC's specially designated and blocked persons list) or under any statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism) or other governmental action and is not and will not engage in any dealings or transactions or be otherwise associated with such persons or entities.

7.2.5 During the Historic Compliance Period, no part of the Premises shall be used in such a manner that would cause: (a) the Premises to be treated as "tax-exempt use property," pursuant to Section 47(c)(2)(B)(v) of the Internal Revenue Code of 1986, as amended from time to time, and/or (b) the amount of Historic Tax Credits available to the Premises to be reduced, recaptured or disallowed in any amount.

7.2.6 During the Historic Compliance Period, no part of the Premises shall be subleased to a Developer Entity or an Affiliate of a Developer Entity.

7.2.7 The representations and warranties set forth in this Section 7.2 shall survive throughout the Term of this Sublease and will not be affected by any investigation, verification or approval by any party or anyone on behalf of any party to this Sublease.

SECTION 8. INSURANCE COVERAGE; INDEMNITY

8.1 Insurance.

8.1.1 Subtenant's Insurance.

(a) *Liability Insurance.* Subtenant shall obtain and keep in force a Commercial General Liability policy of insurance protecting Subtenant and Sublandlord as an additional insured against claims for bodily injury, personal injury and property damage based upon or arising out of the leasehold interest, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than One Million Dollars **(\$1,000,000.00)** per occurrence with an annual aggregate of not less than Two Million Dollars **(\$2,000,000.00)**. Subtenant shall add Sublandlord, Master Landlord, and the Lien Holders as an additional insured by means of an endorsement reasonably acceptable to Sublandlord, Master Landlord, and the Lien Holders, and coverage shall also be extended to include damage caused by heat, smoke or fumes from a hostile fire. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Sublease as an "insured contract" for the performance of Subtenant's indemnity obligations under this Sublease. The limits of said insurance shall not, however, limit the liability of Subtenant nor relieve Subtenant of any obligation hereunder. Subtenant shall provide an endorsement on its liability policy(ies), which provides that its insurance shall be primary to and not contributory with any similar insurance carried by Sublandlord or Master Landlord.

(b) *Property Damage.* Subtenant shall procure at its cost and expense, and keep in effect, insurance coverage for all risks of physical loss or damage insuring the full replacement value of the Subtenant Improvements, Alterations and all items of Subtenant-owned property and trade fixtures. Such insurance shall be full replacement cost coverage with a deductible not to exceed One Thousand Dollars **(\$1,000.00)** per occurrence. Coverage shall include all perils found in the ISO "special" form or its equivalent, with no coinsurance and other endorsements deemed advisable by Sublandlord. The proceeds from any such insurance shall be used by Subtenant for the replacement of the Subtenant Improvements, Alterations and all items of Subtenant-owned personal property and trade fixtures.

(c) *Builder's Risk.* At any time during the pendency of the Subtenant Improvements or any Alterations, Subtenant shall maintain, or cause the contractor undertaking the Subtenant Improvements or

Alterations to maintain, builder's risk insurance meeting the requirements set forth in Schedule "1".

(d) *Umbrella Policy.* Subtenant shall procure at its cost and expense, and keep in effect during the Term, umbrella liability coverage in the amount of One Million Dollars (\$1,000,000.00) per occurrence and Three Million Dollars (\$3,000,000.00) annual policy aggregate (or such higher amounts as may be reasonably consistent with the Permitted Use as Sublandlord shall from time to time determine). The umbrella policy shall name the Master Landlord, Sublandlord, Lien Holders, and any other parties in interest designated by Sublandlord, as additional insureds on a primary, non-contributory basis and not contributing with or in excess of any coverage which Master Landlord or Sublandlord may carry. The additional insured provision shall include premises and operations coverage per ISO form GC 2037 or equivalent.

(e) *Worker's Compensation.* Subtenant shall cause, or cause any affiliate which employs employees at the Premises, to the extent Subtenant does not employ any employees, to procure at its cost and expense, and maintain in effect during the Term, worker's compensation insurance in the amount required by applicable statutes.

(f) *Other Insurance.* Subtenant shall procure at Sublandlord's cost and expense, and keep in effect, any other insurance required by Master Landlord under the Master Lease (except for insurance covered by Sublandlord's Insurance noted below), any Lien Holders under the Project Loan Documents or otherwise reasonably required by Master Landlord or the Lien Holders.

8.1.2 *Sublandlord's Insurance.* Sublandlord shall, or shall cause Master Landlord to, maintain the following insurance during the Term of this Sublease (collectively referred to herein as "**Sublandlord's Insurance**"). All references to "Sublandlord" are replaced with "Master Landlord" as the context requires below, to the extent such insurance is carried by Master Landlord rather than Sublandlord:

(a) *Liability Insurance.* Sublandlord shall maintain liability insurance as described in Paragraph 8.1.1(a), in addition to, and not in lieu of, the insurance required to be maintained by Subtenant. Subtenant shall not be named as an additional insured therein.

(b) *Property Insurance.* Sublandlord shall obtain and keep in force a policy or policies of insurance in the name of Sublandlord, with loss payable to Sublandlord, Master Landlord and/or to any Lien Holder (as the Master Lease or Project Loan Documents may require) insuring loss or damage to the Premises. The amount of such insurance shall be equal to the full insurable replacement cost of the Premises, as the same shall exist from time to time (less the amount of the Subtenant Improvements or Alterations), or the amount required by any Lien Holder, but in no event more than the commercially reasonable and available insurable value thereof. If the coverage is available and commercially appropriate, such policy or policies shall insure against all risks of direct physical loss or damage (except the perils of flood and/or earthquake unless required by a Lender), including coverage for debris removal and the enforcement of any applicable requirements requiring the upgrading, demolition, reconstruction or replacement of any portion of the Premises as the result of a covered loss. Said policy or policies shall also contain an agreed valuation provision in lieu of any coinsurance clause, waiver of subrogation and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located. If such insurance coverage has a deductible clause, the deductible amount shall not exceed Twenty-Five Thousand Dollars (**\$25,000.00**) per occurrence.

8.1.3 *Insurance Policies.* Insurance required herein shall be by companies maintaining during the policy term a "General Policyholders Rating" of at least A-, VII, as set forth in the most current issue of "Best's Insurance Guide," or such other rating as may be required by Sublandlord. Neither Sublandlord nor Subtenant shall do or permit to be done anything which invalidates the insurance policies required hereunder. The Parties shall, prior to the Effective Date, deliver to the other Party certified copies of policies of such insurance or certificates with copies of the required endorsements evidencing the existence and amounts of the required insurance. No such policy shall be cancelable or subject to modification, except after ten (10) days prior written notice to Sublandlord or Subtenant, as applicable. Each Party shall, at least thirty (30) days prior to the expiration of such policies, furnish

the other Party with evidence of renewals or "insurance binders" evidencing renewal thereof; in the event either Party fails to provide such evidence of renewal, the other Party may increase its liability insurance coverage and charge the cost thereof to the failing Party, which amount shall be payable by upon demand. Such policies shall be for a term of at least one (1) year, or the length of the remaining Term of this Sublease, whichever is less. If either Party shall fail to procure and maintain the insurance required to be carried by it, the other Party may, but shall not be required to, procure and maintain the same. Subtenant shall provide certificates of all insurance required to be carried by Subtenant prior to the Commencement Date (or Effective Date, if Subtenant intends to be physically present at the Premises prior to the Commencement Date).

8.1.4 *Waiver of Subrogation.* Each of Sublandlord and Subtenant hereby releases the other, its respective officers, directors, employees, affiliated companies and agents, from any and all liability or responsibility (to the other or anyone claiming through or under them by way of subrogation or otherwise) for any loss or damage to property covered by insurance which either party is required to maintain under this Sublease, even if such loss or damage shall have been caused by the fault or negligence of the other party, or anyone for whom such party may be responsible. However, this release shall be applicable and in force and effect only with respect to loss or damage occurring during such time as the releasor's insurance policies shall contain a clause or endorsement to the effect that any such release shall not adversely affect or impair such policies or prejudice the right of the releasor to recover thereunder. Each of Sublandlord and Subtenant agrees that any fire and extended coverage insurance policies shall include such a clause or endorsement as long as the same shall be obtainable without extra cost, or, if extra cost shall be charged therefor, so long as the other party pays such extra cost. If extra cost shall be chargeable therefor, each party shall notify the other party of the amount of the extra cost, and the other party, at its election, may pay the same, but shall not be obligated to do so.

8.2 Indemnity.

8.2.1 To the fullest extent permitted by applicable law, Subtenant covenants and agrees that Sublandlord shall not at any time or to any extent whatsoever be liable, responsible or in any way accountable for any loss, injury, death, or damage to persons or property which, at any time may be suffered or sustained by Subtenant or by any person who may at any time be using, occupying, or visiting the Premises or be in, on or about the Premises, from any cause whatsoever, except when such loss, injury, death or damage shall be caused by or in anywise result from or arise out of the gross negligence, recklessness, or intentional acts or omissions of Sublandlord. Furthermore, Subtenant shall forever indemnify, defend, hold and save Sublandlord free and harmless of, from and against any and all claims, liability, loss, damage, expenses and fees (including, without limitation, court costs and reasonable attorneys' fees) whatsoever caused by, related to, or on account of: (a) any loss, injury, death or damage occasioned by any cause other than Sublandlord's intentional or negligent acts or omissions; (b) Subtenant's breach of any of the terms or any of its obligations or representations or warranties under this Sublease (or any such breach caused by Subtenant's agents); and (c) any acts or omissions of Subtenant at the Premises, which are not permitted or prohibited pursuant to this Sublease. Subtenant hereby waives all claims against Sublandlord for damages to the Buildings and improvements now or hereafter located on the Property and to the property of Subtenant in, upon or about the Premises, and for injuries to persons or property in, on or about the Premises, from any cause arising at any time, except for any such claims arising from negligence or intentional acts or omissions committed by Sublandlord. Subtenant's indemnity obligation set forth in this Section 8 shall survive the termination or expiration of this Sublease with respect to any claims or liabilities arising out of injury or damage to person or property which occurs during the Term or any time prior thereto during which Subtenant or its contractors, agents, employees, guests, or invitees (the "**Subtenant Parties**") are present at the Premises.

SECTION 9. DAMAGE AND DESTRUCTION (CASUALTY)

9.1 If the Premises or Buildings are destroyed or damaged by fire or other casualty so that Subtenant is unable to occupy or access the Premises and, (a) in Sublandlord's judgment reasonably exercised within thirty (30) days after the destruction or damage, repairs cannot be made within sixty (60) days after the date of the damage or destruction, (b) such fire or other casualty results in a termination of the Master Lease, or (c) the proceeds of the insurance carried by Sublandlord or Master Landlord under this Sublease (or the Master Lease, as applicable) are

insufficient to restore the Premises to the condition required under this Sublease or any Lien Holder requires such proceeds be paid to such Lien Holder and are not released for restoration of the Premises, then Sublandlord may terminate this Sublease effective as of the date of the damage or destruction by giving Subtenant written notice within thirty (30) days of the date of the damage or destruction.

9.2 If Sublandlord does not terminate this Sublease as provided in Section 9.1 above, and provided that such event of casualty was not caused by the negligent or intentional acts of Subtenant or the Subtenant Parties, Sublandlord shall:

9.2.1 provide notice to Subtenant of the time Sublandlord reasonably expects such restoration to take, taking into consideration the severity of such casualty, the time for adjustment of loss and receipt of such insurance proceeds based on the involvement of the Master Landlord, Investor Member, and Lien Holders in such process (the "**Restoration Target Date**"), and

9.2.2 promptly thereafter, commence to rebuild, repair and restore the Premises and Buildings to the condition the same existed following completion of Sublandlord's Work (excluding any of the Subtenant Improvements and furniture, fixtures, equipment, personal property and Alterations undertaken by Subtenant, all of which shall be restored at Subtenant's sole cost and expense with the proceeds of the insurance carried at Section 8.1.1(b) above); provided, however,

(a) that if Sublandlord has not completed such restoration within thirty (30) days of the Restoration Target Date, subject to delays for Force Majeure Causes, Subtenant may, at its option, terminate this Sublease upon written notice to Sublandlord provided no later than sixty (60) days after the Restoration Target Date, but in no event after the actual restoration of the Premises by Sublandlord.

(b) Notwithstanding the foregoing, in the event Sublandlord has not taken commercially reasonable steps towards the commencement of rebuilding, repairing and restoring the Premises to its former condition within ninety (90) days of the date of the destruction or damage, subject to Force Majeure Causes, Subtenant shall have the right to terminate this Sublease by prior written notice to Sublandlord.

9.3 If the Premises shall be damaged in whole or in part such that during the last six (6) months of the Term Subtenant is unable to occupy or access the Premises or Building for its Permitted Use, then each of Sublandlord and Subtenant may, at its option, terminate this Sublease upon written notice to the other Party, provided that Subtenant shall not have such termination right if the damage was the result of the recklessness or intentional act of the Subtenant or any Subtenant Parties.

9.4 If the damage or destruction renders all or part of the Premises untenantable, Minimum Rent shall proportionately abate commencing on the date of the damage or destruction and ending on the date the Premises are delivered to Subtenant with Sublandlord's restoration obligation substantially complete. The extent of the abatement shall be based upon the portion of the Premises rendered untenantable, inaccessible or unfit for the Permitted Use.

SECTION 10. EMINENT DOMAIN

10.1 If Sublandlord receives notice of a proposed taking by eminent domain of any part of the Premises or twenty five percent (25%) or more of the Common Areas (including parking areas), Sublandlord will notify Subtenant of the proposed taking within ten (10) days of receiving said notice and Subtenant will have the option to: (i) declare this Sublease null and void and thereafter neither party will have any liability or obligation hereunder; or (ii) remain in possession of that portion of the Premises that will not be taken, in which event there shall be an equitable adjustment in Rent on account of the portion of the Premises so taken. With either option Subtenant shall have the right to pursue all available remedies at law or equity.

10.1.1 If this Sublease is not terminated as a result of any taking, Sublandlord shall restore the

Premises to an architecturally whole unit to the extent permitted pursuant to the Project Documents (and if not permitted, this Sublease shall terminate effective as of the date of such taking); provided, however, that Sublandlord shall not be obligated to expend on such restoration more than the amount of condemnation proceeds actually received by Sublandlord or made available to Sublandlord.

10.2 Sublandlord shall be entitled to the entire award for any taking, including, without limitation, any award made for the value of the leasehold estate created by this Sublease. No award for any partial or entire taking shall be apportioned, and Subtenant hereby assigns to Sublandlord any award that may be made in any taking, together with any and all rights of Subtenant now or hereafter arising in or to such award or any part thereof; provided, however, that nothing contained herein shall be deemed to give Sublandlord any interest in or to require Subtenant to assign to Sublandlord any separate award made to Subtenant for its relocation expenses, the taking of personal property and fixtures belonging to Subtenant, the unamortized value of improvements made or paid for by Subtenant or the interruption of or damage to Subtenant's business.

10.3 In the event of a partial taking that does not result in a termination of this Sublease as to the entire Premises, Minimum Rent shall be equitably adjusted in relation to the portions of the Premises and Buildings taken or rendered unusable by such taking.

SECTION 11. ASSIGNMENT AND SUBLETTING

11.1 Assignment and Subletting.

11.1.1 Subtenant may assign this Sublease, or any interest therein, at any time provided that:

(a) No Event of Default exists in the performance or observance of any agreement, covenant or condition of this Sublease on the part of Subtenant to be performed or observed as of the date of such assignment;

(b) The assignment shall be in writing, duly executed and acknowledged by Subtenant and the assignee, in form reasonably satisfactory to Sublandlord, providing that the assignee assumes and agrees to perform and observe all agreements, covenants and conditions of this Sublease on the part of Subtenant to be performed and observed;

(c) An executed original of such assignment shall be delivered to Sublandlord;

(d) As a condition to such assignment, unless the credit of such assignee is satisfactory to Sublandlord in Sublandlord's sole discretion, Subtenant shall require the assignee to provide financial security or a guarantor acceptable to Sublandlord, in Sublandlord's sole discretion;

(e) Such assignment shall be subject to the prior written approval of Master Landlord, Investor Member, and the Lien Holders; and

(f) The named Subtenant herein shall remain liable for the performance of all obligations of the Subtenant hereunder, unless otherwise consented to by Sublandlord in writing.

11.1.2 Subtenant shall have the right, in the regular and ordinary course of its business of maintaining and operating the Premises and improvements now or hereafter located on the Premises, to sub-sublease any offices, stores, spaces or related facilities of the Premises and improvements for any use permitted hereunder; provided, however, that: (i) each such sub-sublease shall be subject and subordinate to this Sublease and the rights of Sublandlord hereunder, (ii) each such sub-sublease shall state that, in the event of a termination of this Sublease, Sublandlord, at Sublandlord's sole election, may elect to treat such sub-sublease as a direct lease between Sublandlord and such sub-subtenant, and such sub-subtenant shall attorn to Sublandlord thereafter, (iii) Subtenant shall remain liable for all obligations of the Subtenant hereunder notwithstanding such other sub-sublease(s), and

(iv) such sub-sublease shall be subject to the prior consent of Sublandlord. No sub-sublease may extend beyond the term of this Sublease. Subtenant hereby assigns all rents and proceeds of the sub-subleases payable to Subtenant pursuant to the sub-subleases (the "**Sub-Sublease Rent**"), as a present assignment; provided, however, that prior to an Event of Default Subtenant shall have the right to receive and retain all Sub-Sublease Rent, and use the Sub-Sublease Rent to pay Rent, vendors, managers, and investors and other distributions and or pay-out all amounts collected as is in the normal course of business and is in reasonable and/or good faith custom and practice based on the then current circumstances, and/or as otherwise permitted in law or equity. Following an Event of Default, in addition to all other remedies of Sublandlord hereunder, Sublandlord may deliver written notice to each sub-subtenant, directing such sub-subtenant(s) to remit payments directly to Sublandlord, in which case Subtenant's right to collect, apply, utilize, or distribute Sub-Sublease Rent shall terminate.

SECTION 12. DEFAULT; REMEDIES OF THE PARTIES

12.1 Subtenant's Defaults. It shall be an event of default hereunder (each an "**Event of Default**") if:

12.1.1 default shall be made by Subtenant in the punctual payment of any Rent or other monies due hereunder and shall continue for a period of ten (10) days after written notice thereof to Subtenant, provided that Sublandlord shall not be required to provide written notice to Subtenant more than one (1) time per calendar year;

12.1.2 default shall be made by Subtenant in the performance or observance of any of the other agreements, covenants or conditions of this Sublease on the part of Subtenant to be performed and observed, or any of Subtenant's representations or warranties set forth herein is discovered to be materially false or untrue, and such default or misrepresentation shall continue for a period of thirty (30) days after written notice thereof to Subtenant, or, in the case of a default which cannot be cured by the payment of money and cannot be cured within thirty (30) days, shall continue for an unreasonable period after such written notice;

12.1.3 default shall be made by Subtenant under Section 1.3.1(b)-(d) herein, which default shall give Sublandlord an immediate right to terminate this Sublease under Section 12.1.2 below, provided, however, that if the documents or requirements referenced in Section 1.3.1(b)-(d) provide for a notice and cure period for Sublandlord, then Sublandlord shall provide any notice received by Sublandlord in connection with such default and afford Subtenant the same cure period afforded to Subtenant in connection therewith, less ten (10) days, it being the express intent of the Parties that if such defaults result in immediate damages, losses, costs, or expenses to Sublandlord without notice or cure rights from any Party, Subtenant shall not have any notice or cure rights with respect to such defaults;

12.1.4 Subtenant shall admit in writing its inability to pay its debts generally as they become due, file a petition in bankruptcy, insolvency, reorganization, readjustment of debt, dissolution or liquidation under any law or statute of the federal government or any state government or any subdivision of either now or hereafter in effect, make an assignment for the benefit of its creditors, consent to, or acquiesce in the appointment of a receiver of itself or of the whole or any substantial part of the Premises;

12.1.5 a court of competent jurisdiction shall enter an order, judgment or decree appointing a receiver of Subtenant or of the whole or any substantial part of the Premises, and such order, judgment or decree shall not be vacated, set aside or stayed within sixty (60) days from the date of entry of such order, judgment or decree, or a stay thereof be thereafter set aside;

12.1.6 a court of competent jurisdiction shall enter an order, judgment or decree approving a petition filed against Subtenant under any bankruptcy, insolvency, reorganization, readjustment of debt, dissolution or liquidation law or statute of the federal government or any state government or any subdivision of either now or hereafter in effect, and such order judgment or decree shall not be vacated, set aside or stayed within sixty (60) days from the date of entry of such order, judgment or decree, or a stay thereof be thereafter set aside; or

12.1.7 under the provisions of any other law for the relief or aid of debtors, a court of competent

jurisdiction shall assume custody or control of Subtenant or of the whole or any substantial part of the Premises, and such custody or control shall not be terminated within sixty (60) days from the date of assumption of such custody or control.

Notwithstanding any of the foregoing notice and cure periods to the contrary, to the extent such default by Subtenant results in or causes a Sublandlord default under the Master Lease or a default of Sublandlord under any Project Documents, the applicable notice and cure period shall be five (5) days less than the corresponding notice and cure period in the Master Lease, Project Documents. Upon the occurrence of any Event of Default by Subtenant hereunder, Sublandlord shall have the remedies set forth in Section 12.2, in addition to all other rights and remedies of Sublandlord provided hereunder or by law or equity.

12.2 Sublandlord's Remedies.

12.2.1 In the event of a Subtenant Event of Default, Sublandlord may elect to terminate this Sublease or, without terminating this Sublease, terminate Subtenant's right to possession of the Premises:

(a) Upon any such termination, Subtenant shall immediately surrender and vacate the Premises and deliver possession thereof to Sublandlord in the condition required for surrender as provided herein. Subtenant grants to Sublandlord the right to enter and repossess the Premises and to expel Subtenant and any others who may be occupying the Premises and to remove any and all property therefrom, without being deemed in any manner guilty of trespass and without relinquishing Sublandlord's rights to Rent, other amounts due to Sublandlord from Subtenant, or any other right given to Sublandlord hereunder or by operation of law.

(b) If Sublandlord terminates Subtenant's right to possession of the Premises without terminating this Sublease, Sublandlord may relet the Premises or any part thereof.

(c) In such case, Sublandlord shall use reasonable efforts to mitigate Subtenant's damages and to relet the Premises on such terms as Sublandlord shall reasonably deem appropriate.

(d) Subtenant shall reimburse Sublandlord for the reasonable costs and expenses of reletting the Premises, including, but not limited to, all brokerage, advertising, legal, alteration, repairs and other expenses incurred to secure a new tenant for the Premises, which shall include any tenant improvement work for a replacement tenant or tenants for the Premises or a portion thereof.

(e) If: (i) the consideration collected by Sublandlord upon any such reletting, after payment of the expenses of reletting the Premises which have not been reimbursed by Subtenant, together with any rent payable by any sub-sublessees which will remain at the Premises and attorn to Sublandlord following termination of this Sublease pursuant to Section 11.1.2 above, is insufficient to pay monthly the full amount of the Rent, or (ii) Sublandlord is during any time unable to relet the Premises or any part thereof, then, Subtenant shall pay to Sublandlord the amount of each monthly deficiency as it becomes due (which, for avoidance of doubt, will be the full amount of the Rent if the Premises are not relet at such time). If such consideration is greater than the amount necessary to pay the full amount of the monthly Rent, the full amount of such excess shall be retained by Sublandlord and shall in no event be payable to Subtenant.

12.2.2 In the event Sublandlord terminates this Sublease, Sublandlord may recover from Subtenant and Subtenant shall pay to Sublandlord, on demand, as and for liquidated damages, an accelerated lump sum equal to the amount by which Sublandlord's reasonable estimate of the aggregate amount of Rent owing and actually unpaid from the date of such termination through the stated expiration date of the Term hereof plus Sublandlord's estimate of the aggregate expenses of reletting the Premises; provided that the foregoing amount shall be decreased by the amount of rent payable by any sub-sublessees which will remain at the Premises and attorn to Sublandlord following termination of this Sublease pursuant to Section 11.1.2 above.

12.2.3 If any Event of Default of Subtenant may be cured by the taking of an action or payment of an amount by Sublandlord, Sublandlord shall have the right, but not the obligation, to take such action or pay

such amount necessary to cure the Event of Default at the expense of Subtenant, in which case Subtenant shall reimburse Sublandlord for Sublandlord's actual and reasonable out of pocket costs and expenses incurred in curing such Event of Default, within thirty (30) days of receipt of documentation of such out of pocket costs and expenses.

12.2.4 Any and all remedies in favor of Sublandlord as set forth in this Sublease: (i) shall be in addition to any and all other remedies Sublandlord may have at law or in equity; (ii) shall be cumulative; and (iii) may be pursued successively or concurrently as Sublandlord may elect. The exercise of any remedy by Sublandlord shall not be deemed an election of remedies or preclude Sublandlord from exercising any other remedies in the future.

12.2.5 In the event Sublandlord elects to terminate this Sublease, Subtenant shall be automatically and forever, released from liability hereunder, if:

(a) the total amount collectable from Subtenant's business activities, which activities are legally transferred and assigned to Sublandlord and Sublandlord agrees to accept and assume the same, together with the Sub-Sublease Rent is in excess of Rent as defined herein; and

(b) Subtenant surrenders possession of the Premises to Sublandlord and vacates the Premises in the conditions required as set forth herein; and

(c) all sub-subleases contain provisions requiring the sub-subtenants to attorn to Sublandlord, Subtenant sends notices to such sub-subtenants to pay rent to Sublandlord, and the sub-subtenants remain at the Premises and agree to attorn to and make Sub-Sublease payments to Sublandlord.

12.3 Late Charge. Subtenant acknowledges that Subtenant's failure to pay any installment of Rent or any other amounts due under this Sublease as and when due may cause Sublandlord to incur costs not contemplated by Sublandlord when entering into this Sublease, the exact nature and amount of which would be extremely difficult and impracticable to ascertain. Accordingly, if any installment of Rent or any other amount due under the Sublease is not received by Sublandlord as and when due, then, without any notice to Subtenant, Subtenant shall pay to Sublandlord an amount equal to Two and One Half Percent (2.5%) of the past due amount, which the Parties agree represents a fair and reasonable estimate of the costs incurred by Sublandlord as a result of the late payment by Subtenant, and shall not be considered a penalty or punitive damages.

12.4 Default Interest. In the event that Subtenant shall fail to pay any amount of Minimum Rent, Additional Rent, or any other monetary obligations owed to Sublandlord hereunder within ten (10) days of the date that such amounts are due and payable, Subtenant shall pay to Sublandlord, in addition to such amounts, interest thereon at Two Percent (2%) above the "**prime rate**" of interest announced to the public from time to time by the Wall Street Journal, or the maximum interest rate permitted by law, whichever is less ("**Interest Rate**"), from the first day of the month in which such monetary obligation was payable to the date of actual payment thereof by Subtenant to Sublandlord.

12.4 Subtenant's Remedies.

12.4.1 Sublandlord's Defaults. Sublandlord shall be in default in the performance of any obligation required to be performed by Sublandlord under this Sublease if Sublandlord has failed to perform such obligation within thirty (30) days after the receipt of written notice from Subtenant specifying in detail Sublandlord's failure to perform; provided, however, that if the nature of Sublandlord's obligation is such that more than thirty (30) calendar days are required for its performance, Sublandlord shall not be deemed in default if it shall commence such performance within thirty (30) days and thereafter diligently pursues the same to completion.

12.4.2 Subtenant Remedies. Upon any such default by Sublandlord, Subtenant shall have the right, but not the obligation, to cure the default at the expense of Sublandlord, in which case Sublandlord shall reimburse Subtenant for Subtenant's actual and reasonable out-of-pocket costs and expenses incurred in curing such default, within thirty (30) days of receipt of documentation of such out-of-pocket costs and expenses. If Sublandlord

fails to reimburse Subtenant for such amount within such thirty (30) day period, Subtenant shall be entitled to collect interest at the Interest Rate from the date the costs were incurred by Subtenant until paid by Sublandlord.

SECTION 13. GENERAL PROVISIONS

13.1 Estoppel Certificates. Subtenant or Sublandlord, as the case may be, will execute, acknowledge and deliver to the other and/or to Master Landlord and any Lien Holder, as applicable, promptly upon request, an estoppel certificate certifying:

13.1.1 The Sublease is unmodified and in full force and effect (or, if there have been modifications, that the Sublease is in full force and effect, as modified, and stating the modifications);

13.1.2 The dates, if any, to which the Minimum Rent, Additional Rent, and other monetary obligations have been paid;

13.1.3 Whether there are then existing any charges, offsets or defenses against the enforcement by Sublandlord of any agreement, covenant or condition hereof on the part of Subtenant to be performed or observed (and, if so, specifying the same);

13.1.4 Whether there are then existing any defaults by Sublandlord or Subtenant, as applicable, in the performance or observance of any agreement, covenant or condition hereof on the part of Sublandlord or Subtenant, as applicable, to be performed or observed and whether any notice has been given to Sublandlord or Subtenant, as applicable, of any default which has not been cured (and, if so, specifying the same); and

13.1.5 Any such certificate may be relied upon by Master Landlord, any Lien Holder and a prospective purchaser, mortgagee or trustee under a deed of trust of the Premises or any part thereof.

13.2 Third Party Rights. Nothing herein is intended to nor shall be construed to create any rights of any kind whatsoever in third persons or entities not parties to this Sublease.

13.3 No Partnership. It is expressly understood and agreed that Sublandlord does not, in any way or for any purpose by executing this Sublease, become a partner of Subtenant in the conduct of Subtenant's business, or otherwise, or a joint-venturer or a member of a joint enterprise with Subtenant.

13.4 Successors. The provisions herein contained to be performed, fulfilled, observed and kept shall be binding upon the successors and assigns of the Parties hereto, and the rights hereunder, and all rights, privileges, and benefits arising under this Sublease and in favor of either Party shall be available in favor of the successors and assigns thereof, respectively; provided that no assignment by or through Subtenant in violation of the provisions of this Sublease shall vest any rights in such assignee or successor.

13.5 Real Estate Brokers. Subtenant and Sublandlord each represent that it has not had dealings with any real estate broker, finder or other similar person with respect to this Sublease in any manner. To the extent permitted by law, Subtenant and Sublandlord each shall indemnify the other from all claims that may be asserted against the other by any broker, finder or other similar person with whom it has or purportedly has dealt.

13.6 Notices. Except as otherwise provided hereunder, any notice or communication to Sublandlord, Subtenant or Lender shall be in writing and be mailed by: (i) certified mail, postage prepaid, or (ii) reputable overnight courier, postage prepaid.

13.6.1 Notices or communications shall be addressed to Sublandlord at the address set forth on Schedule "4" hereto or such other address or addresses as Sublandlord shall from time to time designate, or to such agent of Sublandlord as it may from time to time designate, by notice in writing to Subtenant.

13.6.2 Notices or communications shall be addressed to Subtenant at the address set forth on Schedule "4" hereto or such other address or addresses as Subtenant shall from time to time designate, or to such agent of Subtenant as it may from time to time designate, by notice in writing to Sublandlord. Notices or communications to Lender shall be addressed to Lender at such address as Lender shall from time to time designate by notice in writing to Sublandlord.

13.6.3 Any notice mailed in the manner above set forth shall be deemed to have been received: (a) on the third business day following deposit with the United States Postal Service by certified mail, postage prepaid; or (b) on the next business day following deposit with reputable overnight courier for overnight delivery, postage prepaid.

13.7 Severability. In case any one or more of the provisions contained in this Sublease shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Sublease, but this Sublease shall be construed as if such invalid, illegal or unenforceable provisions had not been contained herein.

13.8 Time of the Essence. Time is of the essence of each and all of the agreements, covenants and conditions of this Sublease.

13.9 Consents. Whenever in this Sublease the consent or approval of either Sublandlord or Subtenant is required or permitted, except where a different standard is expressly set forth herein, the Party requested to give such consent or approval will act promptly and will not unreasonably withhold its consent or approval.

13.10 Attorney's Fees. Except as otherwise provided in this Sublease, in the event of any action or proceeding at law or in equity between Sublandlord and Subtenant to enforce any provision of this Sublease or to protect or establish any right or remedy of either Party hereunder, each of the Parties shall be solely responsible for payment of its respective costs, expenses, and attorneys' fees.

13.11 Integration. This instrument constitutes the entire agreement between Sublandlord and Subtenant with respect to the subject matter hereof and supersedes all prior offers and negotiations, oral or written. This Sublease may not be amended or modified in any respect whatsoever except by an instrument in writing signed by Sublandlord and Subtenant.

13.11.1 No representation, covenant or other matter, oral or written, that is not expressly set forth in this Sublease, or in documents expressly referred to in this Sublease, shall be a part of, modify or affect this Sublease; provided, however, that this Sublease may be modified at the sole discretion of each of Sublandlord and Subtenant if the modification is in writing, executed by Sublandlord and Subtenant.

13.11.2 It is expressly acknowledged, understood and agreed that neither Sublandlord nor Subtenant shall have any obligation whatsoever to amend or revise any term or condition of this Sublease, including, without limitation, any amendment or revision to the Permitted Use or to the Term or Rent, or that may in any respect modify any rights or obligations of Sublandlord or Subtenant under the provisions of this Sublease.

13.12 Amendments. This Sublease may be modified only in writing and if only signed by the Parties at the time of the modification.

13.13 Governing Law. This Sublease shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia. The parties hereby submit to the exclusive jurisdiction of the state court located in Danville, Virginia, or the U.S. District Court for the Western District of Virginia (Danville Division), in any action or proceeding arising out of, or related to, this Lease, and the parties hereby agree that all claims in respect of any action or proceeding shall be heard or determined only in either of these courts (except for appeals thereof, which shall be heard or determined in the applicable appellate courts). The parties agree that a final, non-appealable judgment in any action or proceeding shall, to the extent permitted by applicable law, be conclusive and may be

enforced in other jurisdictions by suit on the judgment, or in any other matter provided by applicable law related to the enforcement of judgments.

13.14 Non-Waiver. If any action or proceeding is instituted or if any other steps are taken by Sublandlord or Subtenant, and a compromise part payment or settlement thereof shall be made, either before or after judgment, the same shall not constitute or operate as a waiver by Sublandlord or Subtenant of any agreement, covenant or condition of this Sublease or of any subsequent breach thereof.

13.14.1 No waiver of any Event of Default under this Sublease shall constitute or operate as a waiver of any subsequent Event of Default hereunder, and no delay, failure or omission in exercising or enforcing any right, privilege, or option under this Sublease shall constitute a waiver, abandonment or relinquishment thereof or prohibit or prevent any election under or enforcement or exercise of any right, privilege or option hereunder. No waiver of any provision hereof by Sublandlord or Subtenant shall be deemed to have been made unless and until such waiver shall have been reduced to writing and signed by Sublandlord or Subtenant, as the case may be.

13.14.2 The receipt by Sublandlord of Rent with knowledge of any Event of Default under this Sublease shall not constitute or operate as a waiver of such Event of Default. Payment by Subtenant or receipt by Sublandlord of a lesser amount than the stipulated Rent or other sums due Sublandlord shall operate only as a payment on account of such Rent or other sums.

13.14.3 No endorsement or statement on any check or other remittance or in any communication accompanying or relating to such payment shall operate as a compromise or accord and satisfaction unless the same is approved in writing by Sublandlord, and Sublandlord may accept such check, remittance or payment without prejudice to its right to recover the balance of any Rent or other sums due by Subtenant and pursue any remedy provided under this Sublease or by law.

13.15 No Merger.

13.15.1 There shall be no merger of the leasehold estate created by this Sublease with any other estate in the Premises, including the fee estate, by reason of the fact that the same person may own or hold the leasehold estate created by this Sublease, or an interest in such leasehold estate, and such other estate in the Premises, including the fee estate, or any interest in such other estate; and no merger shall occur unless and until Sublandlord, Subtenant and any Lender shall join in a written instrument effecting such merger and shall duly record the same.

13.15.2 No termination of this Sublease shall cause a merger of the estates of Sublandlord and Subtenant, unless Sublandlord so elects and any such termination shall, at the option of Sublandlord, either work a termination of any sublease in effect or act as an assignment to Sublandlord of Subtenant's interest in any such sublease.

13.16 Force Majeure. In the event that Subtenant or Sublandlord is delayed, directly or indirectly, from the performance of any act required under the terms hereof (other than the payment of Rent or other money due from one Party to the other) by acts of God, accidents, fire, floods, inclement weather, governmental action, restrictions, priorities, or allocations of any and all kinds, strikes or labor difficulties of any and all kinds, shortages of or delay in the delivery of material, acts of war, riot and civil commotion, or by any similar cause reasonably beyond the control of Subtenant or Sublandlord ("**Force Majeure Causes**"), as the case may be, such failure shall not be deemed to be a breach of this Sublease or a violation of any such covenants and the time within which Subtenant or Sublandlord must perform any said act shall be extended by a period of time equal to the period of delay arising from Force Majeure Causes.

13.16 Severability. If any part of this Sublease is determined to be unenforceable, the remainder of the Sublease shall be unaffected and remain valid, enforceable and in full force and effect.

[signature page follows]

IN WITNESS WHEREOF, intending to be bound by the terms, conditions, and provisions contained herein, the Parties have executed this COMMERCIAL SUBLEASE as of the Effective Date.

SUBLANDLORD:

**INDUSTRIAL DEVELOPMENT AUTHORITY OF
DANVILLE, VIRGINIA,**
a political subdivision of the Commonwealth of Virginia

By: _____
Name: _____
Title: _____

SUBTENANT:

THE CITY OF DANVILLE, VIRGINIA,
a political subdivision of the Commonwealth of Virginia

By: _____
Name: _____
Title: _____

EXHIBIT "A-1"

LEGAL DESCRIPTION OF PREMISES; PROPERTY

A portion of Unit No. 1, containing approximately 9,361 square feet, known as the "Economic Development & Tourism Leasehold Space, 420 Memorial Drive, Suite 201",

A portion of that certain parcel designated as Unit No. One (1) in the Declaration for White Mill Condominium and the exhibits attached thereto (collectively, the "Declaration") recorded in the Clerk's Office of the Circuit Court of the City of Danville, Virginia, on December 7, 2022 as Instrument No. 220005004, together with all appurtenances, rights, and privileges thereto belonging contained and defined in the Declaration, including, but not limited to, the rights in the Common Elements and the Limited Common Elements applicable to the Unit.

EXHIBIT "A-2"
SURVEY OF PROPERTY
[See Attached]

EXHIBIT "B"
CONDO DOCUMENTS

[See Attached]

EXHIBIT "C"
PERMITTED EXCEPTIONS

[See Attached]

EXHIBIT "D"
PROHIBITED USES

[See Attached]

["**Sublandlord's Work**" means One Million and 00/100 Dollars (\$1,000,000.00) of Subtenant Improvements and being a portion of the Maximum Allowance.]

- Any use with external storage (with the exception of outdoor recreational equipment)
- Discount or convenience related retail exceeding 1% of total commercial SF
- Low income housing that exceeds 45% of total number of residential units
- Pawn shops
- Interior or exterior gun ranges
- Heavy industrial uses that require heavy truck traffic
- Industrial uses that emit odors and loud noises
- Any end use that requires exterior security fencing that prohibits pedestrian access to the site and the river.
- Gas stations
- Automobile or vehicle repair shops (standard body shops)
- Car lots
- Salvage yards/Junk yards
- Prisons, jails, and detention centers
- Halfway Houses
- Uses that require significant interior storage of construction equipment or raw materials (other than for the redevelopment of the building)
- Exterior agricultural uses
- Mini-storage warehousing that exceeds 33% any individual floor and 25% of the building
- Adult novelty stores

EXHIBIT "D"
COMMERCIAL SUBLEASE

EXHIBIT "E"
HTC ELIGIBLE SUBTENANT IMPROVEMENTS

[See Attached]

EXHIBIT "F"

NON-HTC ELIGIBLE SUBTENANT IMPROVEMENTS

[See Attached]

EXHIBIT "F"
COMMERCIAL SUBLEASE

EXHIBIT "G"
APPROVED ALTERATIONS

[See Attached]

EXHIBIT "H"
LIST OF LEASES AND CONTRACTS

[See Attached]

SCHEDULE "1"

BUILDER'S RISK INSURANCE REQUIREMENTS

[See Attached]

SCHEDULE "2"

MINIMUM RENT; ADDITIONAL RENT (First 120 Month Term)

[See Attached]

SCHEDULE "3"

COMMENCEMENT DATE NOTICE

[See Attached]

SCHEDULE "4"

NOTICE ADDRESSES

Any Notice required by the provisions of this Sublease to be given to Sublandlord shall be addressed as follows:

DANVILLE IDA	
Industrial Development Authority of Danville, Virginia c/o Office of the City Attorney City of Danville, Virginia (427 Patton Street, Room 421 – zip code 24541) P. O. Box 3300 Danville, Virginia 24543	With a copy to: Office of the City Attorney City of Danville, Virginia (427 Patton Street, Room 421 – zip code 24541) P. O. Box 3300 Danville, Virginia 24543
MASTER LANDLORD	
WHITE MILL MT 1, LLC c/o The Alexander Company 2450 Rimrock Road, Suite 100 Madison, Wisconsin 53713 Attention: Joseph M. Alexander	With copies to: MICHAEL BEST & FRIEDRICH LLP One South Pinckney Street, Suite 700 Madison, WI 53703 Attention: Kevin A. Martin, Esq.
	Chase Community Equity, LLC c/o JPMorgan Chase Bank, N.A. 10 S. Dearborn, 19 th Floor Mail Code: IL1-0953 Chicago, Illinois 60603-5506 Attention: HTC Asset Management Facsimile: (312) 325-5050 Email: cdb.htc.assetmanagement@chase.com Project Name: White Mill (VA)
	Chase Community Equity, LLC c/o JPMorgan Chase Bank, N.A. 560 Mission Street, 3 rd Floor San Francisco, California 94105 Attention: Keith Pettus Telephone: (415) 315-8488 Email: keith.pettus@chase.com Project Name: White Mill (VA)
	Buchalter, a Professional Corporation 1000 Wilshire Boulevard, Suite 1500 Los Angeles, California 90017

	Attention: C. Tyler Ohanian, Esq. Telephone: (213) 891-5041 Email: tohanian@buchalter.com Project Name: White Mill (VA) (J0732-0105)
SUBTENANT	
	With a copy to:

Schedule 2
Anticipated Rent Schedule
 Dan River Falls – Economic Development & Tourism

Size of Space (SF)		9,361
Minimum Rent (per SF)	\$	16.00
Annual Escalator		2%
Additional Rent – CAM (per SF)	\$	4.78
Assumed Annual Escalator		3%
Term of Lease (Years)		10
Term of Lease (Months)		120
Monthly Lease Rate	\$	16,213.45

Month	Minimum Rent	Additional Rent	Total Rent
1	\$ 12,481.33	\$ 3,732.12	\$ 16,213.45
2	\$ 12,481.33	\$ 3,732.12	\$ 16,213.45
3	\$ 12,481.33	\$ 3,732.12	\$ 16,213.45
4	\$ 12,481.33	\$ 3,732.12	\$ 16,213.45
5	\$ 12,481.33	\$ 3,732.12	\$ 16,213.45
6	\$ 12,481.33	\$ 3,732.12	\$ 16,213.45
7	\$ 12,481.33	\$ 3,732.12	\$ 16,213.45
8	\$ 12,481.33	\$ 3,732.12	\$ 16,213.45
9	\$ 12,481.33	\$ 3,732.12	\$ 16,213.45
10	\$ 12,481.33	\$ 3,732.12	\$ 16,213.45
11	\$ 12,481.33	\$ 3,732.12	\$ 16,213.45
12	\$ 12,481.33	\$ 3,732.12	\$ 16,213.45
13	\$ 12,730.96	\$ 3,844.08	\$ 16,575.04
14	\$ 12,730.96	\$ 3,844.08	\$ 16,575.04
15	\$ 12,730.96	\$ 3,844.08	\$ 16,575.04
16	\$ 12,730.96	\$ 3,844.08	\$ 16,575.04
17	\$ 12,730.96	\$ 3,844.08	\$ 16,575.04
18	\$ 12,730.96	\$ 3,844.08	\$ 16,575.04
19	\$ 12,730.96	\$ 3,844.08	\$ 16,575.04
20	\$ 12,730.96	\$ 3,844.08	\$ 16,575.04
21	\$ 12,730.96	\$ 3,844.08	\$ 16,575.04
22	\$ 12,730.96	\$ 3,844.08	\$ 16,575.04
23	\$ 12,730.96	\$ 3,844.08	\$ 16,575.04
24	\$ 12,730.96	\$ 3,844.08	\$ 16,575.04
25	\$ 12,985.58	\$ 3,959.41	\$ 16,944.98
26	\$ 12,985.58	\$ 3,959.41	\$ 16,944.98
27	\$ 12,985.58	\$ 3,959.41	\$ 16,944.98
28	\$ 12,985.58	\$ 3,959.41	\$ 16,944.98
29	\$ 12,985.58	\$ 3,959.41	\$ 16,944.98
30	\$ 12,985.58	\$ 3,959.41	\$ 16,944.98
31	\$ 12,985.58	\$ 3,959.41	\$ 16,944.98
32	\$ 12,985.58	\$ 3,959.41	\$ 16,944.98
33	\$ 12,985.58	\$ 3,959.41	\$ 16,944.98

34	\$ 12,985.58	\$ 3,959.41	\$ 16,944.98
35	\$ 12,985.58	\$ 3,959.41	\$ 16,944.98
36	\$ 12,985.58	\$ 3,959.41	\$ 16,944.98
37	\$ 13,245.29	\$ 4,078.19	\$ 17,323.48
38	\$ 13,245.29	\$ 4,078.19	\$ 17,323.48
39	\$ 13,245.29	\$ 4,078.19	\$ 17,323.48
40	\$ 13,245.29	\$ 4,078.19	\$ 17,323.48
41	\$ 13,245.29	\$ 4,078.19	\$ 17,323.48
42	\$ 13,245.29	\$ 4,078.19	\$ 17,323.48
43	\$ 13,245.29	\$ 4,078.19	\$ 17,323.48
44	\$ 13,245.29	\$ 4,078.19	\$ 17,323.48
45	\$ 13,245.29	\$ 4,078.19	\$ 17,323.48
46	\$ 13,245.29	\$ 4,078.19	\$ 17,323.48
47	\$ 13,245.29	\$ 4,078.19	\$ 17,323.48
48	\$ 13,245.29	\$ 4,078.19	\$ 17,323.48
49	\$ 13,510.20	\$ 4,200.53	\$ 17,710.73
50	\$ 13,510.20	\$ 4,200.53	\$ 17,710.73
51	\$ 13,510.20	\$ 4,200.53	\$ 17,710.73
52	\$ 13,510.20	\$ 4,200.53	\$ 17,710.73
53	\$ 13,510.20	\$ 4,200.53	\$ 17,710.73
54	\$ 13,510.20	\$ 4,200.53	\$ 17,710.73
55	\$ 13,510.20	\$ 4,200.53	\$ 17,710.73
56	\$ 13,510.20	\$ 4,200.53	\$ 17,710.73
57	\$ 13,510.20	\$ 4,200.53	\$ 17,710.73
58	\$ 13,510.20	\$ 4,200.53	\$ 17,710.73
59	\$ 13,510.20	\$ 4,200.53	\$ 17,710.73
60	\$ 13,510.20	\$ 4,200.53	\$ 17,710.73
61	\$ 13,780.40	\$ 4,326.55	\$ 18,106.95
62	\$ 13,780.40	\$ 4,326.55	\$ 18,106.95
63	\$ 13,780.40	\$ 4,326.55	\$ 18,106.95
64	\$ 13,780.40	\$ 4,326.55	\$ 18,106.95
65	\$ 13,780.40	\$ 4,326.55	\$ 18,106.95
66	\$ 13,780.40	\$ 4,326.55	\$ 18,106.95
67	\$ 13,780.40	\$ 4,326.55	\$ 18,106.95
68	\$ 13,780.40	\$ 4,326.55	\$ 18,106.95
69	\$ 13,780.40	\$ 4,326.55	\$ 18,106.95
70	\$ 13,780.40	\$ 4,326.55	\$ 18,106.95
71	\$ 13,780.40	\$ 4,326.55	\$ 18,106.95
72	\$ 13,780.40	\$ 4,326.55	\$ 18,106.95
73	\$ 14,056.01	\$ 4,456.35	\$ 18,512.35
74	\$ 14,056.01	\$ 4,456.35	\$ 18,512.35
75	\$ 14,056.01	\$ 4,456.35	\$ 18,512.35
76	\$ 14,056.01	\$ 4,456.35	\$ 18,512.35
77	\$ 14,056.01	\$ 4,456.35	\$ 18,512.35
78	\$ 14,056.01	\$ 4,456.35	\$ 18,512.35
79	\$ 14,056.01	\$ 4,456.35	\$ 18,512.35
80	\$ 14,056.01	\$ 4,456.35	\$ 18,512.35
81	\$ 14,056.01	\$ 4,456.35	\$ 18,512.35

82	\$ 14,056.01	\$ 4,456.35	\$ 18,512.35
83	\$ 14,056.01	\$ 4,456.35	\$ 18,512.35
84	\$ 14,056.01	\$ 4,456.35	\$ 18,512.35
85	\$ 14,337.13	\$ 4,590.04	\$ 18,927.16
86	\$ 14,337.13	\$ 4,590.04	\$ 18,927.16
87	\$ 14,337.13	\$ 4,590.04	\$ 18,927.16
88	\$ 14,337.13	\$ 4,590.04	\$ 18,927.16
89	\$ 14,337.13	\$ 4,590.04	\$ 18,927.16
90	\$ 14,337.13	\$ 4,590.04	\$ 18,927.16
91	\$ 14,337.13	\$ 4,590.04	\$ 18,927.16
92	\$ 14,337.13	\$ 4,590.04	\$ 18,927.16
93	\$ 14,337.13	\$ 4,590.04	\$ 18,927.16
94	\$ 14,337.13	\$ 4,590.04	\$ 18,927.16
95	\$ 14,337.13	\$ 4,590.04	\$ 18,927.16
96	\$ 14,337.13	\$ 4,590.04	\$ 18,927.16
97	\$ 14,623.87	\$ 4,727.74	\$ 19,351.61
98	\$ 14,623.87	\$ 4,727.74	\$ 19,351.61
99	\$ 14,623.87	\$ 4,727.74	\$ 19,351.61
100	\$ 14,623.87	\$ 4,727.74	\$ 19,351.61
101	\$ 14,623.87	\$ 4,727.74	\$ 19,351.61
102	\$ 14,623.87	\$ 4,727.74	\$ 19,351.61
103	\$ 14,623.87	\$ 4,727.74	\$ 19,351.61
104	\$ 14,623.87	\$ 4,727.74	\$ 19,351.61
105	\$ 14,623.87	\$ 4,727.74	\$ 19,351.61
106	\$ 14,623.87	\$ 4,727.74	\$ 19,351.61
107	\$ 14,623.87	\$ 4,727.74	\$ 19,351.61
108	\$ 14,623.87	\$ 4,727.74	\$ 19,351.61
109	\$ 14,916.35	\$ 4,869.57	\$ 19,785.92
110	\$ 14,916.35	\$ 4,869.57	\$ 19,785.92
111	\$ 14,916.35	\$ 4,869.57	\$ 19,785.92
112	\$ 14,916.35	\$ 4,869.57	\$ 19,785.92
113	\$ 14,916.35	\$ 4,869.57	\$ 19,785.92
114	\$ 14,916.35	\$ 4,869.57	\$ 19,785.92
115	\$ 14,916.35	\$ 4,869.57	\$ 19,785.92
116	\$ 14,916.35	\$ 4,869.57	\$ 19,785.92
117	\$ 14,916.35	\$ 4,869.57	\$ 19,785.92
118	\$ 14,916.35	\$ 4,869.57	\$ 19,785.92
119	\$ 14,916.35	\$ 4,869.57	\$ 19,785.92
120	\$ 14,916.35	\$ 4,869.57	\$ 19,785.92
Total	\$ 1,640,005.41	\$ 513,414.75	\$ 2,153,420.16

Council Letter City of Danville, Virginia



CL - 2508

NEW BUSINESS D.

City Council REGULAR MEETING

Meeting Date: December 16, 2025

Subject: Commercial Sublease with the IDA for Suite 101 at the Dan River Falls Building.

From: Corrie Bobe, Director of Economic Development and Tourism

COUNCIL ACTION

A Resolution of the Council of the City of Danville, Virginia (Department of Parks and Recreation), Authorizing the Negotiation, Execution and Delivery of a Commercial Sublease with the Industrial Development Authority of Danville, Virginia, for a Portion of the Dan River Falls Building, 13,205 Sq. Ft. of Unit 1 (Suite 101), Located at 420 Memorial Drive, Danville, Virginia 24541

SUMMARY

The IDA will sublease 13,205 square feet at 420 Memorial Drive, Suite 101, Unit 1, to the City of Danville for Parks and Recreation. The initial term is 10 years with an option to extend for another 10 years with three months' notice. Minimum rent is \$211,280 annually (\$17,606.67/month), plus additional rent of \$63,176.11 annually (\$5,264.68/month), with a 2% annual increase. The tenant is responsible for utilities, insurance, and maintenance within its space.

BACKGROUND

The Parks and Recreation Department will also occupy new office space at Dan River Falls to improve operational efficiency and collaboration. This strategic relocation provides the department with a modern environment to better serve community recreation needs and manage programs effectively.

RECOMMENDATION

Staff recommends the approval of this request.

Attachments

1. Resolution
 2. Exhibit A - Sublease Dept Parks and Recreation
 3. Parks & Recreation Rent Schedule
-

PRESENTED: December, 2025

ADOPTED: December, 2025

RESOLUTION NO. 2025-____.

A RESOLUTION OF THE COUNCIL OF THE CITY OF DANVILLE, VIRGINIA (DEPARTMENT OF PARKS AND RECREATION), AUTHORIZING THE NEGOTIATION, EXECUTION AND DELIVERY OF A COMMERCIAL SUBLEASE WITH THE INDUSTRIAL DEVELOPMENT AUTHORITY OF DANVILLE, VIRGINIA, FOR A PORTION OF THE DAN RIVER FALLS BUILDING, 13,205 SQ. FT. OF UNIT 1 (SUITE 101), LOCATED AT 420 MEMORIAL DRIVE, DANVILLE, VIRGINIA 24541

WHEREAS, the Industrial Development Authority of Danville, Virginia (the “Authority”), was created to promote economic development in the City of Danville (the “City”); and

WHEREAS, the City, Department of Parks and Recreation, desires to enter into a commercial sublease with the Industrial Development Authority of Danville, Virginia, for a portion of the Dan River Falls Building, 13,205 sq. ft. of Unit 1 (Suite 101), located at 420 Memorial Drive, Danville, Virginia 24541, as more particularly described in **Exhibit A**, attached hereto (the “Sublease”), subject to the approval by legal counsel to the City as to legal form.

NOW THEREFORE, BE IT RESOLVED, that

1. The City hereby authorizes and approves the negotiation, execution and delivery of the Sublease, as described in this Resolution, together with such amendments, deletions or additions thereto as may be approved by the City Manager, and hereby authorizes the City Manager to execute and deliver the Sublease, and all other related documents to consummate the transaction, on behalf of the City, such execution of the Sublease, and related documents by the City to conclusively establish his approval of any amendments, deletions or additions thereto.

2. The City hereby authorizes and directs staff and other agents and representatives working on behalf of the City to take such actions and to do all such things as are contemplated by the Sublease, or as they in their discretion deem necessary or appropriate in order to carry out the intent and purposes of these resolutions; however, the form and the legality of the Sublease shall have been approved by legal counsel to the City.
3. The City hereby approves, ratifies and confirms any and all actions previously taken by the City, its agents and representatives, in respect to the Sublease and the matters contemplated therein or related thereto on or before the date of this Resolution is adopted.
4. This Resolution shall take effect immediately upon its adoption.

Approved:

Mayor

Attest:

City Clerk

Approved as to
Form and Legal Sufficiency:

City Attorney

Exhibit A
(Form of Sublease)

COMMERCIAL SUBLEASE

by and between

**INDUSTRIAL DEVELOPMENT AUTHORITY
OF DANVILLE, VIRGINIA,**
a political subdivision of the Commonwealth of Virginia
("**Sublandlord**")

and

THE CITY OF DANVILLE, VIRGINIA,
a political subdivision of the Commonwealth of Virginia
("**Subtenant**")

for

**13,205 sq. ft. of UNIT 1
(SUITE 101 – PARKS & RECREATION)
420 MEMORIAL DRIVE
DANVILLE, VIRGINIA 24541
("Premises")**

_December 17, 2025

COMMERCIAL SUBLEASE

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COMMERCIAL SUBLEASE

THIS COMMERCIAL SUBLEASE (this "**Sublease**") is made as of the 17th day of December, 2025 ("**Effective Date**"), by and between INDUSTRIAL DEVELOPMENT AUTHORITY OF DANVILLE, VIRGINIA, a political subdivision of the Commonwealth of Virginia ("**Sublandlord**"), and THE CITY OF DANVILLE, VIRGINIA, a political subdivision of the Commonwealth of Virginia ("**Subtenant**") (collectively referred to herein as the "**Parties**" and each individually as a "**Party**").

RECITALS

This Sublease is made with reference to and is based on the following facts, circumstances, and intent of the Parties:

A. On or about December 15, 2022, White Mill MT 1, LLC, a Virginia limited liability company, as "**Master Landlord**," and Sublandlord, as "**Master Tenant**," entered into that certain Master Lease (Commercial) ("**Master Lease**"), pursuant to which Sublandlord leases from Master Landlord all of that certain real property situated in Danville, Virginia, commonly known as Unit No. 1 of the White Mill Condominium, 420 Memorial Drive, Danville, Virginia, 24541 owned by White Mill Shell & Commercial, LLC (the "**Landlord**") and more particularly described on Exhibit "A-1", attached hereto and incorporated herein by this reference, and as depicted on the survey on Exhibit "A-2", attached hereto and incorporated herein by this reference (the "**Property**"). All capitalized terms that are not otherwise defined herein shall have the meanings as set forth in the Master Lease, attached hereto and incorporated herein by this reference.

B. The Property is part of a larger condominium project comprised of 3 units within a mixed use condominium building located at 424 Memorial Drive, Danville, Virginia (the "**Building**"). The Building contains certain general common elements and limited common elements pertinent to Unit 1, as more particularly described on the condominium documents attached hereto as Exhibit "B" (the "**Condo Documents**"), together with common corridors, restrooms, mechanical spaces and elevator #3 within Unit 1, all of which areas are referred to herein as the "**Common Areas**".

C. Sublandlord, as tenant of the Property, desires to lease to Subtenant, and Subtenant desires to lease from Sublandlord, a portion of Unit No. 1, as more particularly described on Exhibit "A-1" (the "**Premises**").

D. Master Landlord and other owners of units in the Building have undertaken historic rehabilitation of the Building and pursuing federal and state historic rehabilitation tax credits (together, the "**Historic Tax Credits**") in connection therewith. The owners of all of the units within the Building have placed certain restrictions on the use, modification, alteration, and development of the Building, as more particularly set forth in that certain Declaration of Restrictions and Covenants Regarding Historic Compliance recorded against the Building on or about the December 15, 2022 (the "**Historic Declaration**").

E. Pursuant to Section 11 of the Master Lease, Sublandlord may sublease all or a portion of the Property without Master Landlord's approval or consent, subject to the conditions set forth in Section 1.3 hereof.

AGREEMENT

NOW THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Sublandlord and Subtenant hereby agree as follows:

SECTION 1. SUBLEASE OF PREMISES; OPTION TO PURCHASE

1.1 Conveyance Language. Effective as of the Effective Date, Sublandlord hereby leases to Subtenant, and Subtenant hereby leases and takes from Sublandlord, the Premises pursuant to the terms and upon

the agreements, covenants and conditions set forth in this Sublease.

1.2 Permitted Exceptions. This Sublease is subject to (a) all easements, covenants, conditions, restrictions, reservations, rights-of-way and other matters of record that are listed on Exhibit "C", attached hereto and incorporated herein by this reference; (b) the Master Lease, as referenced in that certain recorded Memorandum of Lease; (c) all matters that are discoverable by physical inspection of the Premises; and (d) all matters known to Subtenant or of which Subtenant has actual notice, (collectively, "**Permitted Exceptions**").

1.3 Use of the Premises.

1.3.1 *Permitted Use.* Subtenant shall have the right to use the Premises for any purpose permitted under applicable federal, state, county and municipal laws, ordinances, rules and regulations ("**Permitted Use**"), subject to the following:

(a) In no event shall the Premises be used for any purpose or use (nor shall any activity be carried on upon the Premises) which in any manner causes, creates or results in a public or private nuisance.

(b) The Premises may not be used for the following purposes: the operation of any facility used for gambling, such as off track betting (provided that state sponsored lottery tickets shall not be prohibited), or a store the principal business of which is the sale of alcoholic beverages for consumption off-premises (excluding holders of any of the following issued by the Virginia Alcoholic Beverage Control Authority: Marketplace License, Solicitor Salesman (Wine and Beer) Permit, Solicitor Tasting Permit, or equivalent permits); shooting gallery; adult bookstore or facility selling or displaying pornographic books, literature, or videotapes (materials shall be considered "adult" or "pornographic" for such purpose if the same are not available for sale or rental to children under eighteen (18) years because they explicitly deal with or depict human sexuality); bingo or similar games of chance, but lottery tickets and other items commonly sold in retail establishments may be sold as an incidental part of business.

(c) In no event shall the Premises be used for any Prohibited Uses identified in Exhibit "D" or any purpose or use expressly prohibited by the Historic Declaration and Condo Documents.

(d) In no event shall the Premises be used for any purpose not permitted by the City of Danville, the general plan, any specific plan, River District Design Commission Special Use Permit, TW-C Tobacco Warehouse Commission or other zoning ordinances, rules or regulations, or any conditions of, or terms of any agreements governing, the zoning approval for the Building.

1.3.2 *Violation of Permitted Use.* As further described in Section 12.1 below, any violation of Section 1.3.1(b) through (d), above, shall constitute a material Event of Default by Subtenant, giving Sublandlord a right to claim an immediate right to terminate this Sublease, after failure of the Subtenant to cure as set forth in Section 12.1.3.

1.3.3 *Effective Date.* Commencing upon the Effective Date, Sublandlord shall make the Premises available for Subtenant to undertake the Subtenant Improvements, if any, to be undertaken by Subtenant prior to the Commencement Date (as defined in Section 3.1), subject to the terms of Section 3.3 hereof. On the Effective Date, all terms, conditions and provisions of this Sublease shall become effective, valid and fully enforceable.

1.4 Quiet Enjoyment. Sublandlord covenants that Subtenant upon performance and observance by Subtenant of the agreements, covenants and conditions herein contained on the part of Subtenant to be performed and observed, and subject to the Permitted Exceptions set forth in Exhibit "C" attached hereto, shall peaceably hold and quietly enjoy the Premises during the entire Term, without hindrance, molestation or interruption by Sublandlord or by anyone lawfully or equitably claiming by, through or under Sublandlord.

1.5 Memorandum of Commercial Sublease. Subtenant shall have the right to record a

memorandum of this Sublease with the appropriate recording officer. Sublandlord shall execute and deliver each such memorandum, for no additional consideration, promptly upon Subtenant's request. However, all recordation filing fees and taxes, if any, shall be at the sole cost and expense of the party recording such memorandum.

SECTION 2. STATUS OF PROPERTY; CONDITION OF PREMISES; SUBLANDLORD'S WORK; SUBTENANT IMPROVEMENTS

2.1 Acknowledgment of Premises' Historic Preservation Status. The Parties agree and acknowledge that Master Landlord has undertaken expense and burden to obtain and maintain the status of the Premises, as part of the Building, as a Certified Historic Structure. In connection therewith, Master Landlord has renovated the Building to comply with the Standards for Rehabilitation established by the U.S. Secretary of the Interior set forth at 36 C.F.R. § 67.7 (the "**Secretary's Standards**"), and will qualify for historic rehabilitation tax credits available in connection with such rehabilitation work, which shall provide an important economic benefit to Master Landlord, which is passed through the Master Lease to Sublandlord.

2.1.1 Except for Alterations (as defined below) permitted to be undertaken by Subtenant without Sublandlord's consent pursuant to Section 6.1.1, which must comply with all other provisions of this Section 2.1, Subtenant agrees and acknowledges that it will not make any change to the interior or exterior of the Premises without Sublandlord's prior written consent, which consent shall not be unreasonably withheld, conditioned, or delayed; provided, Sublandlord's consent shall not be unreasonably withheld, conditioned, or delayed if Master Landlord's or any debt or equity party's consent is required, if such alteration is prohibited by the Condo Documents or Historic Declaration, if Master Landlord or any other party is required to verify compliance of such alterations with the Secretary's Standards, SHPO, or NPS, or if such alterations would violate the terms the following sentence. Subtenant also agrees and acknowledges that it will not make any Alterations to the Premises or take any actions that will have the effect of or cause any impairment to the use of or any recapture, reduction or loss of any federal, state or local tax credits applicable to the Building or any renovations thereof.

2.1.2 Subtenant expressly agrees and acknowledges that any change or Alteration Subtenant intends to make to the Premises during the Historic Compliance Period (following Sublandlord's written approval, if applicable), including any Alterations not requiring Sublandlord approval pursuant to Section 6.1.1, shall comply with any and all requirements of the Virginia Department of Historic Resources (the "**State Historic Preservation Office**" or "**SHPO**") and the National Park Service of the U.S. Department of the Interior ("**NPS**"). Unless the same is contracted for by Sublandlord and paid for by Sublandlord as part of the Maximum Allowance (defined below), all as set forth in Section 2.3.1 below, Subtenant shall be responsible for any and all costs related to any such change or Alteration, including, but not limited to, Sublandlord's costs, if any, to ascertain whether such change or alteration meets the Secretary's Standards.

2.1.3 If Sublandlord grants consent, any such Alterations shall be performed in a good and workmanlike manner in accordance with all applicable legal and insurance requirements, including, but not limited to, any and all requirements, standards, and approvals required by SHPO and NPS (including the standards set forth in Section 2.1.4 below), and only after consultation with, and approval by, Sublandlord's and/or Master Landlord's historic consultant, all at Subtenant's expense unless the same is contracted for by Master Landlord and paid for by Master Landlord as part of the Maximum Allowance, all as set forth in Section 2.3.1 below.

2.1.4 *Standards for Rehabilitation.* The Parties acknowledge and agree that the State Historic Preservation Office, by and through its designated officer, is responsible for making substantive judgments as to whether a structure meets the criteria for listing in the National Register of Historic Places or the "Secretary's Standards for Evaluating Structures within Registered Historic Districts," whether the rehabilitation of a certified historic structure meets the Secretary's Standards, and for forwarding the recommendations to the Secretary of the Interior within the prescribed time period. Under applicable United States Treasury regulations, the NPS, by and through its designated officer, is responsible for the same activities delineated in the preceding sentence. The Parties further acknowledge and agree:

(a) The SHPO and NPS interpret the Secretary's Standards to require that the quality of materials and craftsmanship used in a rehabilitation project must be commensurate with the quality of materials and craftsmanship of the historic building in question.

(b) The SHPO and NPS shall evaluate applications for certifications of rehabilitation pursuant to the Secretary's Standards of Rehabilitation as provided in 36 C.F.R. 67.7(a)-(d) and (f). The Secretary's Standards shall apply to interior and exterior features, related landscape features, the building's site and environment, as well as attached, adjacent or related new construction. The SHPO and NPS shall also consult the NPS Guidelines for Rehabilitating Historic Building and the NPS Preservation Briefs during review of applications. Both publications are available for inspection with the SHPO. The SHPO shall also consider the economic and technical feasibility of application of the Secretary's Standards to the project under consideration.

2.2 Condition of Premises.

2.2.1 Subtenant accepts the Premises in its AS-IS, WHERE-IS condition, subject to Sublandlord's completion of the Sublandlord's Work, without representation or warranty except as otherwise expressly set forth herein.

2.2.2 Sublandlord, to the extent assignable, will assign any representations and warranties of Sublandlord's contractors for Sublandlord's Work required herein that conform with the plans, drawings, and specifications submitted by Sublandlord or Master Landlord in connection with the Historic Preservation Project and approved by the City of Danville, Virginia (the "**Historic Rehab Plans**").

2.2.3 Sublandlord has not placed, installed or stored in, at, on, or under the Premises any Hazardous Materials (as defined below) in violation of any Environmental Laws (as defined below). However, subtenant recognizes the existence of encapsulated lead-based paint on the concrete ceilings, walls and columns of the original structure and shall take necessary precautions and environmental notices in the event that any of the subtenant's activities cause disturbance or require removal of the encapsulant or lead based paint.

(a) "**Hazardous Materials**" means "Hazardous Material," "Hazardous Substance," "Pollutant or Contaminant," and "Petroleum" and "Natural Gas Liquids," as those terms are defined or used in the Comprehensive Environmental Response Compensation and Liability Act ("**CERCLA**") and any other substances regulated because of their effect or potential effect on public health and the environment, including PCBs, lead paint, asbestos, urea formaldehyde, radioactive materials, putrescible materials, and infectious materials.

(b) "**Environmental Laws**" means, without limitation, the Resource Conservation and Recovery Act, CERCLA and other federal, state, county, municipal and other local laws governing or relating to Hazardous Materials or the environment, together with their implementing regulations, ordinances and guidelines.

2.2.4 Subtenant shall not, and shall not permit any Subtenant Parties (as defined in Section 8.2.1) to, use, store, release, or transport any Hazardous Materials at, in, over, under or across the Premises except for such de minimis amounts of Hazardous Materials in amounts customary in connection with Subtenant's Permitted Use of the Premises and in strict compliance with all Environmental Laws. Subtenant also recognizes the existence of encapsulated lead-based paint on the concrete ceilings, walls and columns of the original structure and shall take necessary precautions and environmental notices in the event that any of the subtenant's activities cause disturbance or require removal of the encapsulant or lead based paint. Subtenant shall indemnify, defend, and hold harmless Sublandlord, Master Landlord, and the Lien Holders from and against any violations of Subtenant's obligations under this Section 2.2.4 or any release of any Hazardous Materials by any of the Subtenant Parties in, at, under, or over the Premises. The indemnity by Subtenant set forth in this Section 2.2.4 shall survive the expiration or earlier termination of this Sublease.

2.3 Sublandlord's Work; Subtenant Improvements.

2.3.1 As further described on the construction documents for the “**Approved Alterations**” attached as Exhibit "E", Sublandlord has caused the Landlord to perform, at its sole cost and expense, the construction of the Approved Alterations on behalf of Subtenant that are classified as "Qualified Rehabilitation Expenditures," as defined in Section 47 of the Internal Revenue Code ("**QREs**). Any Improvements that do not qualify as QREs may be made by Subtenant, provided the same will be considered Alterations (as defined herein), and shall be subject to all terms and conditions herein related to Alterations, including without limitation Section 6 hereof.

2.4 Maintenance.

2.4.1 *Subtenant Maintenance.* Except as provided in Section 2.4.2 below, Subtenant shall, at Subtenant's sole cost and expense, keep the interior and exterior of the Premises, and the fixtures and equipment therein, including the Subtenant Improvements, permitted Alterations, all partitions, doors, and all equipment, fixtures, including MEP and HVAC systems located exclusively within and serving only the Premises and personal property located at or within the Premises, in clean, safe and sanitary condition and in good condition and repair consistent with the condition of the Historic Preservation Project, and suffer no waste or injury thereto.

2.4.2 *Sublandlord Maintenance.* Sublandlord shall be responsible, at Sublandlord's sole cost and expense (but subject to reimbursement therefor by Subtenant as set forth in Section 4.2.1 below), for any and all repairs, maintenance and replacements to all shared Building electrical, mechanical and plumbing systems ("**MEP**"), heating, ventilating and air conditioning systems ("**HVAC**"), windows, structural elements of the Buildings, the roof of the Buildings and other maintenance and repair obligations expressly included as part of the Additional Rent and subject to reimbursement from Subtenant.

(a) Sublandlord shall be responsible for all landscaping and lawn maintenance related to the Property, and shall maintain all access drives and parking areas at the Property in good condition, including the removal of rubbish, ice, snow and other accumulating precipitation from the surface thereof.

(b) In addition to Subtenant's payment obligations pertaining to Additional Rent, in the event that any such repairs or replacements are required due to the negligent or intentional acts of Subtenant or any of the Subtenant Parties (as defined below), Subtenant shall immediately reimburse Sublandlord, on demand, for Sublandlord's actual and reasonable costs and expenses incurred in making such repairs and replacements.

(c) Subtenant shall promptly notify Sublandlord for any items or conditions requiring repair or maintenance for which Sublandlord is responsible under this Sublease.

(d) In the event that Subtenant fails to undertake any of its maintenance obligations with respect to its exclusive use of any limited common elements, Subtenant acknowledges that the condominium association has the right pursuant to the Condo Documents to undertake such maintenance, repair, or replacement obligations and levy an assessment against the Premises for the cost of such work, payment for which shall be the responsibility of Subtenant as Additional Rent.

SECTION 3. TERM; OPTIONS TO EXTEND TERM; RIGHT TO INSPECT; HOLDING OVER

3.1 Initial Term of Sublease. The initial term of this Sublease shall be ten (10) years (the "**Initial Term**") commencing on December 31, 2025 (the "**Commencement Date**"), and, unless sooner terminated or extended as herein provided, terminating on ten (10) years thereafter .

3.1.1 *Commencement Date Notice.* Sublandlord shall deliver to Subtenant written notice in substantially the form of Schedule "3" ("**Commencement Date Notice**") confirming the Commencement Date and, in such event, Subtenant must acknowledge such Commencement Date by returning to Sublandlord an executed copy of the Commencement Date Notice within ten (10) Business Days of Subtenant's receipt thereof. For purposes of this Sublease, the term "**Business Day**" shall mean any day that is not a Saturday, Sunday, or a holiday recognized

by the City of Danville, Virginia, or the Commonwealth of Virginia where nonessential state offices are closed.

3.1.2 *Failure to Return Commencement Date Notice.* If Subtenant fails to return the Commencement Date Notice to Sublandlord within such ten (10) Business Day period, Subtenant will conclusively be deemed to have approved the contents of the Commencement Date Notice.

3.2 Options to Extend Term. Provided that an uncured Event of Default by Subtenant is not then in existence under this Sublease, either at the time of the exercise of the options set forth herein or at the time of the commencement of the Extension Periods (as defined below) contemplated hereunder, Subtenant may elect to extend the Initial Term of this Sublease ("**Extension Option(s)**") for all of the Premises for one (1) additional period of ten (10) years (collectively, the "**Extension Periods**"), by delivering to Sublandlord not later than three (3) months before the end of the Initial Term of this Sublease or the applicable Extension Period, as applicable, a written notice (the "**Extension Notice**") of such election. In the event the Extension Notice is not delivered, the Subtenant shall be deemed to have delivered the respective Extension Notice and the Term shall be automatically extended. The Initial Term, together with any exercised Extension Periods, is hereinafter referred to as the "**Term**."

3.2.1 *Commencement of Extension Period.* The first Extension Period shall commence on the day immediately following the last day of the Initial Term and each succeeding Extension Period (as applicable) shall commence on the day immediately following the last day of the previous Extension Period, and shall be subject to all the terms and conditions of this Sublease, except that the Minimum Rent for the applicable Extension Period shall be determined in accordance with Section 3.2.3 below.

3.2.2 *Extension Options Not Personal.* The Extension Options set forth herein are not personal to Subtenant and may be exercised by any assignee of the Sublease permitted under the terms of the Sublease. However, (a) no such Extension Option is assignable separate and apart from the Sublease, and (b) no subtenant or sublessee of Subtenant shall have the right to exercise any Extension Option.

3.2.3 *Minimum Rent during Extension Periods.* Minimum Rent shall increase by Two Percent (2%) on an aggregate basis each year during each Extension Period, with the Minimum Rent during the first year of the first Extension Period being one hundred and Two Percent (102%) of the Minimum Rent in effect during the prior lease year, and the Minimum Rent increasing by Two Percent (2%) each year thereafter, all as shown on Schedule "2" attached hereto.

3.2.4 *Term shall not exceed length of term of Master Lease.* Notwithstanding anything herein to the contrary, including without limitation the terms of Section 3.1 or 3.2 hereof, the Term shall not exceed the length of the term of the Master Lease (twenty (20) years), and shall be deemed to expire one (1) day prior to the expiration of the term of the Master Lease.

3.3 Occupancy. As of the Effective Date, Subtenant shall have the right to enter into the Premises, subject to the following terms and conditions:

3.3.1 Subtenant's entry prior to the Commencement Date may not interfere with the construction of any improvements (including performance of the Sublandlord's Work or Subtenant Improvements) or cause labor difficulties;

3.3.2 Subtenant's entry prior to the Commencement Date must be on all the terms and conditions of this Sublease;

3.3.3 Subtenant must provide in advance evidence of insurance that is satisfactory to Sublandlord, including without limitation any applicable insurance set forth in the Work Letter attached as Exhibit "D";

3.3.4 Subtenant must indemnify, defend and hold harmless Sublandlord and Sublandlord's agents, employees and contractors against all claims, liabilities and damages arising from Subtenant's entry prior

to the Commencement Date; and

3.3.5 Unless and until a valid certificate of occupancy is issued with respect to such portion of the Premises occupied by Subtenant for its intended business use thereof, Subtenant shall not occupy the Premises to conduct any business operations from the Premises.

3.4 Sublandlord's Right of Inspection. Sublandlord may, and may allow Master Landlord or any Lien Holders to, at any reasonable time and from time to time during the Term, with twenty-four (24) hours written notice delivered to Subtenant as set forth herein (except in the event of an emergency), enter upon the Premises for the purpose of inspecting the Buildings or improvements now or hereafter located thereon and for such other purposes as may be necessary or proper for the reasonable protection of their respective interests.

3.5 Title to Premises and Subtenant Improvements.

3.5.1 *Title to Premises, Buildings and Other Structures.* Fee simple title to the Premises, Buildings, structures and improvements that now, or may from time to time constitute a part of the Premises, shall be and remain in Master Landlord at all times during the Term of this Sublease. Sublandlord shall retain the primary leasehold title to the Premises, Buildings, structures and improvements that now, or may from time to time constitute a part of the Premises, during the term of the Master Lease and the Term of this Sublease pursuant to the terms of the Master Lease. Subtenant's rights to use the Premises and rights under this Sublease shall be subject and subordinate in all respects to the terms and conditions of the Master Lease.

3.5.2 *Title to Subtenant Improvements.* All Subtenant Improvements that are constructed on the Premises (the "**HTC Eligible Subtenant Improvements**") shall be owned by Sublandlord and considered part of the Premises during the Term. HTC Eligible Subtenant Improvements shall be listed on Exhibit "E", attached hereto and incorporated herein by this reference.

(a) Subtenant shall have title to all Subtenant Improvements that are constructed on the Premises by Subtenant under this Sublease at Subtenant's sole cost and expense, and such fee simple title and the like with respect to the Non-HTC Eligible Subtenant Improvements shall remain in Subtenant during the Term of this Sublease; provided, however, that the maintenance and removal of such items shall be governed by the terms of this Sublease, including, without limitation, Section 3.6.2 below. Non-HTC Eligible Subtenant Improvements shall be listed on Exhibit "F", attached hereto and incorporated herein by this reference.

(b) Fee simple title and the like to all equipment, furnishings and trade fixtures placed by Subtenant on the Premises and not contracted for by Sublandlord shall remain in Subtenant, including all replacements, substitutions and modifications thereof. During the Term of this Sublease, Subtenant shall not remove, modify, alter or dispose of any portion of the HTC Eligible Subtenant Improvements without Sublandlord's advance written consent, which consent may be withheld or conditioned in Sublandlord's sole and absolute discretion.

3.6 Holding Over and Sublease Termination; Restoration of Premises.

3.6.1 *Surrender the Premises to Sublandlord upon the Expiration or Termination.* Subtenant shall surrender the Premises to Sublandlord upon the expiration or termination of this Sublease in accordance with Section 3.6.2 below.

3.6.2 Notwithstanding any rights of Subtenant under Section 1.6, this Sublease shall terminate without further notice upon the expiration of the Term or any Extension Period validly exercised by Subtenant, and any holding over by Subtenant after the expiration of the Term or any Extension Period validly exercised by Subtenant, as applicable, shall not constitute a renewal hereof or give Subtenant any rights hereunder or in or to the Premises, it being understood and agreed that this Sublease cannot be renewed, extended or in any manner modified (except in writing signed by Sublandlord and Subtenant) and it is further agreed to between the Parties that Subtenant, on termination of this Sublease, shall execute and deliver any and all deeds, bills of sale, assignments

and other documents, which in Sublandlord's sole judgment may be necessary or appropriate to transfer, to evidence or to vest in Sublandlord clear title to any of the property located on the Premises at the time of such termination.

3.6.3 Except as otherwise set forth herein, in the event that Subtenant continues in possession of the Premises after the expiration of the Term, Subtenant shall be deemed to be occupying the Premises as a month-to-month tenant, and Subtenant during such tenancy shall pay Minimum Rent in the amount of One Hundred and Fifty Percent (150%) of the amount of Minimum Rent for the year of the Term in effect prior to such holdover.

3.6.4 Such month-to-month tenancy may be terminated at the end of any calendar month by either Sublandlord or Subtenant giving the other at least thirty (30) days prior written notice. The foregoing provisions shall not affect or impair, and shall be in addition to, Sublandlord's rights to pursue any and all remedies for Subtenant's default resulting from such holdover available under this Sublease, at law or in equity.

3.6.5 Upon expiration or earlier termination of the Term or Subtenant's right to possession of the Premises, Subtenant shall return the Premises to Sublandlord in good order and condition, ordinary wear, tear, and insured casualty loss excepted.

(a) If Subtenant does not, on or before the expiration or termination of the Term or Subtenant's right to possession of the Premises, remove all personal property or other items which Subtenant has either the option to remove or which Subtenant is required to remove, then Subtenant shall be conclusively presumed to have conveyed the same to Sublandlord without further payment or credit by Sublandlord to Subtenant, or at Sublandlord's sole option, with respect to items which Subtenant is required to remove, and without limiting any other rights or remedies available to Sublandlord, such items shall be deemed abandoned, in which event Sublandlord may cause such items to be removed and disposed of and the Premises to thereupon be repaired to the condition required herein, all at Subtenant's expense, which shall be One Hundred Ten Percent (110%) of Sublandlord's actual cost of removal, disposal and repair of damage caused by the installation or removal of such items, without notice to Subtenant and without obligation to compensate Subtenant (provided Subtenant shall receive a credit for any compensation actually received by Sublandlord for such items, if any), and Subtenant shall pay such amounts to Sublandlord promptly following Sublandlord's demand therefor from time to time. All HTC Eligible Subtenant Improvements shall remain at the Premises following expiration or termination of the Term of this Lease without disturbance, molestation or injury.

(b) All Alterations to the Premises and Non-HTC Eligible Subtenant Improvements shall, at the election of Sublandlord (as identified on Exhibit "G" (Alterations) or Exhibit "F" (Non-HTC Eligible Subtenant Improvements)), remain upon the Premises and be surrendered with the Premises at the expiration or termination of the Term without disturbance, molestation or injury, or be removed by Subtenant if Sublandlord so directs Subtenant prior to expiration of the Term or upon termination of this Sublease. If Sublandlord requires any Alterations and Non-HTC Eligible Subtenant Improvements to be removed, and such Alteration and Non-HTC Eligible Subtenant Improvements require Sublandlord's consent prior to installation thereof, Sublandlord shall inform Subtenant at the time of providing such consent whether or not the Alteration and Non-HTC Eligible Subtenant Improvements shall be required to be removed upon expiration or termination of the Term of this Sublease. As to any Alterations and Non-HTC Eligible Subtenant Improvements required to be removed by Subtenant, Subtenant will do so at its sole cost and expense. If Subtenant fails to perform such removal, then Sublandlord may remove the Alterations and Non-HTC Eligible Subtenant Improvements at Subtenant's expense, and Subtenant shall reimburse Sublandlord for the cost of such removal and resulting repairs to the Premises, together with any and all damages that Sublandlord sustains by reason of the failure of Tenant to remove the Alterations on a timely basis.

SECTION 4. MINIMUM RENT; ADDITIONAL RENT; OTHER PAYMENTS; UTILITIES

Subtenant shall pay to Sublandlord as rental for the use and occupancy of the Premises, at the times and in the manner hereinafter provided the following sums of money:

4.1 Minimum Rent Amounts. Subtenant shall pay to Sublandlord annual minimum rent (the

"**Minimum Rent**") in the following amounts:

4.1.1 Subject to the provisions of Section 13.17 below, from the Commencement Date, Subtenant shall pay a lump sum of Minimum Rent in the amount of **Two Hundred Eleven Thousand Two Hundred Eighty and 00/100 Dollars (\$211,280.00)**, payable in equal monthly installments of **Seventeen Thousand Six Hundred Six and 67/100 Dollars (\$17,606.67)** commencing on the Commencement Date and the first day of each month thereafter. The annual Minimum Rent set forth in this Section 4.1.1 shall increase by Two Percent (2%) annually on an aggregate basis, as shown on Schedule "2" attached hereto. No Minimum Rent shall be due between the Effective Date and Commencement Date.

4.2 Additional Rent. Commencing on the Commencement Date and continuing thereafter during the Term, Subtenant shall pay its prorated share to Sublandlord, or to the applicable third parties to whom such amounts are payable, at Sublandlord's election, as "**Additional Rent**" (together with the applicable Minimum Rent, collectively "**Rent**"), all Insurance and Taxes, as defined herein, levied or assessed against the Premises during the Term, all condominium association dues, levies, assessments, or charges levied or assessed against the Premises during the Term pursuant to the Condo Documents, and the costs of Common Area management, maintenance, trash collection and utilities levied or assessed against the Premises during the Term; all of which are itemized in the Common Area Maintenance ("CAM") Budget attached as Exhibit "J". The Sublandlord shall update, and provide to the Subtenant, the budget for each year's Additional Rent by December 1 of the preceding year.

4.2.1 Commencing on the Commencement Date, the annual Additional Rent shall be **Sixty Three Thousand One Hundred Seventy Six Dollars (\$63,176.11)** payable in equal monthly installments of **Five Thousand Two Hundred Sixty Four and 68/100 Dollars (\$5,264.68)** accordance with Section 4.3 hereof, adjusted to reflect the updated CAM Budget on each anniversary of the Commencement Date. Should the Sublandlord fail to provide the budget for the Additional Rent as set forth in this Section 4.2, the Additional Rent shall increase by Three Percent (3%) over the previous year's budget.

4.2.1 **Rent Payment.** Rent payable pursuant to Section 4.1 and Section 4.2 shall be paid in advance, without notice, demand, abatement, deduction, counterclaim, set-off, defense or otherwise, in lawful money of the United States, to Sublandlord at such address as Sublandlord shall notify Subtenant from time to time, in equal monthly installments of **Twenty Two Thousand Eight Hundred Seventy One and 34/100 Dollars (\$22,871.43)** due and payable on the first (1st) day of each month, provided that if the Commencement Date is not the first day of a month, Minimum Rent for the month in which the Commencement Date occurs shall be due within five (5) days of the Commencement Date and Minimum Rent shall be prorated for such month. In the event the annual Minimum Rent and Additional Rent changes pursuant to Section 4.1 and Section 4.2 above, the monthly installments under this Section 4.3 shall automatically adjust to equal monthly installments of newly calculated annual Rent amount.

4.3 Utilities. Subtenant shall pay, directly to the appropriate utility supplier thereof, all utility bills relating to services specially or exclusively supplied and/or metered exclusively to the Premises or otherwise relating to Subtenant's use or occupancy thereof, including, but not limited to, water, sewer, gas, electricity, fuel, garbage collection, and sanitary services (collectively, "**Utilities**").

SECTION 5. TAXES AND ASSESSMENTS

5.1 From and after the Commencement Date, Sublandlord shall pay (or cause Master Landlord to pay, to the extent payable by Master Landlord under the Master Lease) all Taxes (as defined in Section 5.1.1 hereof) which shall be included in the CAM Budget.

5.1.1 As used in this Sublease, "**Tax**" or "**Taxes**" shall mean and include any form of federal, state, county or local government or municipal taxes, fees, charges or other impositions of every kind (whether

general, special, ordinary, or extraordinary) related to the ownership, leasing or operation of the Premises by Sublandlord, including, without limitation, the following: (a) all real estate taxes or personal property taxes levied, payable or imposed against the Premises, as such property taxes may be reassessed from time to time; (b) other taxes, charges and assessments which are levied with respect to this Sublease, and any improvements, fixtures, and equipment and other property of Sublandlord; (c) all assessments and fees for public improvements, services, and facilities and impacts thereon, including, without limitation, arising out of any community facilities district, special improvement district, or similar assessment districts, and any traffic impact mitigation assessments or fees; (d) any tax, surcharge or assessment which shall be levied in addition to or in lieu of real estate or personal property taxes; (e) taxes based on the receipt of rent (including gross receipts or sales taxes applicable to the receipt of rent); and (f) costs and expenses incurred in contesting the amount or validity of any Tax by appropriate proceedings. Notwithstanding the foregoing, Subtenant shall not be required to pay any franchise, capital levy or transfer tax of Sublandlord, or any net income tax measured by the income of Sublandlord from all sources, or any tax which may, at any time during the Term, be required to be paid on any gift or demise, deed, mortgage, descent or other alienation of any part of all of the estate of Sublandlord in and to the Premises or any buildings or improvements which are now or hereafter located thereon, except as hereinafter provided.

5.1.2 Notwithstanding anything herein to the contrary, Sublandlord shall not be required to pay: (a) any franchise tax or tax on the revenues or income of Subtenant at the Premises, (b) any net income tax measured by the income of Subtenant from any source, (c) any special, ordinary, or extraordinary assessments against or impacting the Property which become due or payable in connection with public or private improvements installed by any governmental authority at or proximate to the Property at the request of Subtenant or as a result of Subtenant's use of or operations at the Premises, (d) any taxes on the use or ownership of any furniture, fixtures, equipment, or other personal property owned by Subtenant and located at the Premises, or (e) any documentary transfer tax assessed or levied upon the creation of a leasehold interest in the Premises under this Sublease. Subtenant shall be responsible for payment of all charges, expenses, invoices, and bills for any items described in this Section 5.1.2.

5.1.3 If Subtenant shall be required by law to pay, and pursuant thereto does pay, any Tax or Taxes set forth in Section 5.1.1, Sublandlord shall, immediately upon request, reimburse Subtenant for any such payments. If such immediate reimbursements are not forthcoming, Subtenant shall receive a credit against the Additional Rent next due hereunder for the full amount of such delinquent reimbursements. If Sublandlord shall be required by law to pay, and pursuant thereto does pay, any amount set forth in Section 5.1.2, Subtenant shall, promptly following demand therefor by Sublandlord, reimburse Sublandlord for any such payments made by Sublandlord.

SECTION 6. ALTERATIONS; PERMITS; LIENS

6.1 Alterations.

6.1.1 Except as provided in the Approved Alterations included on Exhibit "G", Subtenant shall not make or allow to be made any alterations, additions or improvements in or to the interior or exterior of the Premises (collectively, "**Alterations**"; a attached hereto and incorporated herein by this reference) without first obtaining Sublandlord's written consent, which consent shall not be unreasonably withheld, conditioned or delayed. Notwithstanding the foregoing, Subtenant shall be required to provide Sublandlord with prior written notice, but Sublandlord's consent will not be required if:

(a) the proposed Alterations will not affect the MEP or other building systems or the structure or roof of the Buildings;

(b) the total cost to acquire and install the proposed Alterations will be no more than Ten Thousand Dollars (**\$10,000.00**);

(c) the proposed Alterations comply with the requirements set forth in Section 2.1 hereof, provided that Subtenant, as part of the notice to be provided to Sublandlord, shall provide evidence of

compliance of such Alterations with Section 2.1 and provide Sublandlord with periodic updates as to the compliance with Section 2.1 during the pendency of such Alterations; and

(d) the proposed Alterations are permitted pursuant to the Master Lease and the documents evidencing the indebtedness held by any Lien Holder (the "**Project Documents**"), to be determined following consultation with Sublandlord (and Master Landlord, if necessary).

6.1.2 If at any time Sublandlord has reason to believe such Alterations do not or will not comply with Section 2.1, Sublandlord shall notify Subtenant of the same in writing, and Subtenant will discontinue such Alterations promptly following receipt of such notice. For avoidance of doubt, Sublandlord will not be considered to have unreasonably withheld, conditioned, or delayed its consent if:

(a) Sublandlord requires as a condition to such Alterations the consent of the Master Landlord and any Lien Holders of Sublandlord or Master Landlord;

(b) such Alterations are inconsistent with Section 2.1, any other term of this Lease, or in any way jeopardize the issuance of, or would cause or result in the recapture of, any tax credits issued or to be issued in connection with the Historic Preservation Project; or

(c) such Alterations are prohibited by the Master Lease or the Project Documents.

6.1.3 Any and all Alterations (other than changes or alterations of movable trade fixtures and equipment) shall be undertaken in all cases subject to the following additional conditions, which Subtenant covenants to observe and perform:

(a) No improvement, change or alteration shall be undertaken until Subtenant shall have procured and paid for, so far as the same may be required from time to time, all municipal and other governmental permits and authorizations of the various municipal departments and governmental subdivisions having jurisdiction, and Sublandlord agrees to join in the application for such permits or authorizations whenever such action is necessary.

(b) All work done in connection with any Alteration shall be done promptly and in a good and workmanlike manner and in compliance with all laws, ordinances, orders, rules, regulations and requirements of all federal, state and municipal governments and the appropriate departments, commissions, boards and officers thereof, including all requirements set forth in Section 2.1 of this Sublease. All such work shall be at the sole cost and expense of Subtenant.

(c) In addition to the insurance coverage referred to in Section 8 below, Workers' Compensation Insurance covering all persons employed in connection with the work and with respect to whom death or injury claims could be asserted against Sublandlord, Subtenant or the Premises, and a general liability policy coverage, naming Sublandlord with limits of not less than Two Million Dollars (**\$2,000,000.00**), shall be maintained by Subtenant, at Subtenant's sole cost and expense, at all times when any work is in process in connection with any Alteration. All such insurance shall be obtained and kept in force as otherwise provided in Section 8 below.

6.2 Permits, Licenses, Etc. Sublandlord will, from time to time, during the Term, at no cost to Sublandlord, execute and deliver all applications for permits, licenses or other authorizations relating to the Premises required by any municipal, county, state, or federal authorities, in connection with the Subtenant Improvements or required in connection with Subtenant's use and occupancy of the Premises for the Permitted Use, provided such permit, license or other authorization is consistent with the terms of this Sublease. Sublandlord will, from time to time, during the Term, to the extent permissible under the Master Lease and approved by Master Landlord and the Lien Holders, execute, acknowledge and deliver any and all instruments required to grant rights-of-way and easements in favor of municipal and other governmental authorities or public utility companies incident to the installation of water lines, fire hydrants, sewers, electricity, telephone, gas, steam and other facilities and

utilities reasonably required for the use and occupancy of the Premises. For avoidance of doubt, Subtenant shall not be authorized to, and Sublandlord shall not be required to join in any efforts to, change the zoning or permitting related to the Premises or take any action which would result in a breach of the covenants of Sublandlord or Master Landlord under the Master Lease or the Project Documents, or in any way jeopardize the issuance of, or would cause or result in the recapture of, any tax credits issued or to be issued in connection with the Historic Preservation Project.

6.3 Mechanics' and Other Liens. In the event a mechanics', materialmen's and/or laborers' lien shall be filed against the Premises or Subtenant's interest therein as a result of any work undertaken by Subtenant, Subtenant shall, within thirty (30) days of receiving notice of such lien, discharge the same either by payment of the indebtedness due to the lien claimant or by filing a bond for the benefit of Sublandlord as security for such lien. The amount of the bond shall be one and one half (1.5) times the amount of the claimed lien, and such bond shall be executed by a solvent insurance carrier acceptable to Sublandlord. In the event Subtenant shall fail to discharge such lien, Sublandlord shall have the right, but not the obligation, to procure such discharge, and Subtenant shall immediately pay the cost of discharging such lien to Sublandlord, with interest thereon at a rate of ten percent (10%) per annum, upon written demand by Sublandlord. Such cost of discharging the lien shall include without limitation the cost of a bond which Sublandlord shall procure, any amounts paid to the lien claimant and attorneys' fees.

6.4 Signs. Any signs desired by Subtenant at the exterior of the Premises shall be considered Alterations regardless of whether or not such signs or modified signs meet the conditions of Section 6.1.1(a)-(d) above.

SECTION 7. REPRESENTATIONS AND WARRANTIES

7.1 Sublandlord's Representations and Warranties. Sublandlord represents and warrants to Subtenant on and as of the Effective Date of this Sublease, as follows:

7.1.1 Sublandlord is a political subdivision of the Commonwealth of Virginia duly formed, validly existing and in good standing under the laws of the Commonwealth of Virginia and has the requisite power and authority to enter into this Sublease and the instruments referenced herein, and to consummate the transactions contemplated hereby.

7.1.2 The execution, delivery and performance of this Sublease by Sublandlord and all agreements, instruments and documents herein provided to be executed by Sublandlord: (a) do not violate the _____ of Sublandlord, or any contract, agreement, commitment, lease, order, judgment or decree to which Sublandlord is a party; and (b) have been duly authorized by the consent of Master Landlord, to the extent necessary. The individual(s) executing this Sublease and the instruments referenced herein on behalf of Sublandlord have the legal power, right and actual authority to bind Sublandlord to the terms and conditions hereof and thereof. This Sublease is valid and binding upon Sublandlord, subject to bankruptcy, reorganization and other similar laws affecting the enforcement of creditors' rights generally.

7.1.3 Neither the execution, delivery or performance of this Sublease, nor the consummation of the transactions contemplated hereby, is prohibited by, or requires Sublandlord to obtain any consent, authorization, approval or registration under any law, statute, rule, regulation, judgment, order, writ, injunction or decree, which is binding upon Sublandlord that has not been previously obtained.

7.1.4 Sublandlord is not a "foreign person," as such term is defined in Section 1445 of the Internal Revenue Code or any regulations promulgated thereunder, as amended.

7.1.5 A list of all leases, including the Master Lease, affecting the Premises on the date of this Sublease is attached to this Sublease as Exhibit "H," true, correct and complete copies of which have been delivered to Subtenant. Except as otherwise provided for in Exhibit "H," (i) the leases are in good standing and in full force and effect in accordance with their respective terms; (ii) the leases have not been modified, amended, terminated, renewed or extended, except as set forth in the applicable lease; and (iii) to Subtenant's actual knowledge, none of

the parties to any lease is in default of any of its obligations thereunder and no event has occurred that, with the giving of notice or passage of time, or both, would constitute a default thereunder.

7.1.6 There is no litigation, arbitration or other legal or administrative suit, action, proceeding or investigation pending or threatened against or involving Sublandlord or the ownership or operation of the Premises.

7.1.7 Sublandlord has received no notice from any public authority of any eminent domain or condemnation proceedings conceding the Premises or any part thereof. Sublandlord further warrants that in the event it receives any such notice, it will promptly provide said notice to Subtenant.

7.1.8 Attached hereto as Exhibit "H" is a list of all contracts binding against the Buildings, Premises, or Property as of the date hereof, compliance with which Subtenant shall be responsible.

7.1.9 Sublandlord has not received notice of any material violation of any law or municipal ordinance, order or requirement noted or issued against the Premises by any governmental authority having jurisdiction over the Premises, that has not been cured, corrected or waived as of the Effective Date.

7.1.10 Sublandlord is not, and will not become, a person or entity with whom United States persons or entities are restricted or prohibited from doing business under regulations of the Office of Foreign Asset Control ("**OFAC**") of the Department of the Treasury (including those named on OFAC's specially designated and blocked persons list) or under any statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism) or other governmental action and is not and will not engage in any dealings or transactions or be otherwise associated with such persons or entities.

7.1.11 The representations and warranties of Sublandlord set forth in this Section 7.1 shall survive throughout the Term of this Sublease and will not be affected by any investigation, verification or approval by any Party or anyone on behalf of any Party to this Sublease.

7.2 Subtenant's Representations and Warranties. Subtenant represents and warrants to Sublandlord on and as of the Effective Date of this Agreement as follows:

7.2.1 Subtenant is a political subdivision of the Commonwealth of Virginia duly formed, validly existing and in good standing under the laws of the state Virginia, is qualified to conduct business in the Commonwealth of Virginia and has the requisite power and authority to enter into this Sublease and the instruments referenced herein, and to consummate the transactions contemplated hereby.

7.2.2 The execution, delivery and performance of this Sublease by Subtenant and all agreements, instruments and documents herein provided to be executed by Subtenant on the Effective Date: (a) do not violate the articles of incorporation, bylaws, or other similar governance documents of Subtenant, or any contract, agreement, commitment, lease, order, judgment or decree to which Subtenant is a party; and (b) have been duly authorized by the consent of the City Council of Subtenant and the appropriate and necessary action has been taken by such City Council on the part of Subtenant. The individual(s) executing this Sublease and the instruments referenced herein on behalf of Subtenant have the legal power, right and actual authority to bind Subtenant to the terms and conditions hereof and thereof. This Sublease is valid and binding upon Subtenant, subject to bankruptcy, reorganization and other similar laws affecting the enforcement of creditors' rights generally.

7.2.3 Neither the execution, delivery or performance of this Sublease, nor the consummation of the transactions contemplated hereby, is prohibited by, or requires Subtenant to obtain any consent, authorization, approval or registration under any law, statute, rule, regulation, judgment, order, writ, injunction or decree, which is binding upon Subtenant that has not been previously obtained.

7.2.4 Subtenant is not, and will not become, a person or entity with whom United States persons or entities are restricted or prohibited from doing business under regulations OFAC (including those named on OFAC's specially designated and blocked persons list) or under any statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism) or other governmental action and is not and will not engage in any dealings or transactions or be otherwise associated with such persons or entities.

7.2.5 During the Historic Compliance Period, no part of the Premises shall be used in such a manner that would cause: (a) the Premises to be treated as "tax-exempt use property," pursuant to Section 47(c)(2)(B)(v) of the Internal Revenue Code of 1986, as amended from time to time, and/or (b) the amount of Historic Tax Credits available to the Premises to be reduced, recaptured or disallowed in any amount.

7.2.6 During the Historic Compliance Period, no part of the Premises shall be subleased to a Developer Entity or an Affiliate of a Developer Entity.

7.2.7 The representations and warranties set forth in this Section 7.2 shall survive throughout the Term of this Sublease and will not be affected by any investigation, verification or approval by any party or anyone on behalf of any party to this Sublease.

SECTION 8. INSURANCE COVERAGE; INDEMNITY

8.1 Insurance.

8.1.1 Subtenant's Insurance.

(a) *Liability Insurance.* Subtenant shall obtain and keep in force a Commercial General Liability policy of insurance protecting Subtenant and Sublandlord as an additional insured against claims for bodily injury, personal injury and property damage based upon or arising out of the leasehold interest, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than One Million Dollars **(\$1,000,000.00)** per occurrence with an annual aggregate of not less than Two Million Dollars **(\$2,000,000.00)**. Subtenant shall add Sublandlord, Master Landlord, and the Lien Holders as an additional insured by means of an endorsement reasonably acceptable to Sublandlord, Master Landlord, and the Lien Holders, and coverage shall also be extended to include damage caused by heat, smoke or fumes from a hostile fire. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Sublease as an "insured contract" for the performance of Subtenant's indemnity obligations under this Sublease. The limits of said insurance shall not, however, limit the liability of Subtenant nor relieve Subtenant of any obligation hereunder. Subtenant shall provide an endorsement on its liability policy(ies), which provides that its insurance shall be primary to and not contributory with any similar insurance carried by Sublandlord or Master Landlord.

(b) *Property Damage.* Subtenant shall procure at its cost and expense, and keep in effect, insurance coverage for all risks of physical loss or damage insuring the full replacement value of the Subtenant Improvements, Alterations and all items of Subtenant-owned property and trade fixtures. Such insurance shall be full replacement cost coverage with a deductible not to exceed One Thousand Dollars **(\$1,000.00)** per occurrence. Coverage shall include all perils found in the ISO "special" form or its equivalent, with no coinsurance and other endorsements deemed advisable by Sublandlord. The proceeds from any such insurance shall be used by Subtenant for the replacement of the Subtenant Improvements, Alterations and all items of Subtenant-owned personal property and trade fixtures.

(c) *Builder's Risk.* At any time during the pendency of the Subtenant Improvements or any Alterations, Subtenant shall maintain, or cause the contractor undertaking the Subtenant Improvements or

Alterations to maintain, builder's risk insurance meeting the requirements set forth in Schedule "1".

(d) *Umbrella Policy.* Subtenant shall procure at its cost and expense, and keep in effect during the Term, umbrella liability coverage in the amount of One Million Dollars (\$1,000,000.00) per occurrence and Three Million Dollars (\$3,000,000.00) annual policy aggregate (or such higher amounts as may be reasonably consistent with the Permitted Use as Sublandlord shall from time to time determine). The umbrella policy shall name the Master Landlord, Sublandlord, Lien Holders, and any other parties in interest designated by Sublandlord, as additional insureds on a primary, non-contributory basis and not contributing with or in excess of any coverage which Master Landlord or Sublandlord may carry. The additional insured provision shall include premises and operations coverage per ISO form GC 2037 or equivalent.

(e) *Worker's Compensation.* Subtenant shall cause, or cause any affiliate which employs employees at the Premises, to the extent Subtenant does not employ any employees, to procure at its cost and expense, and maintain in effect during the Term, worker's compensation insurance in the amount required by applicable statutes.

(f) *Other Insurance.* Subtenant shall procure at Sublandlord's cost and expense, and keep in effect, any other insurance required by Master Landlord under the Master Lease (except for insurance covered by Sublandlord's Insurance noted below), any Lien Holders under the Project Loan Documents or otherwise reasonably required by Master Landlord or the Lien Holders.

8.1.2 *Sublandlord's Insurance.* Sublandlord shall, or shall cause Master Landlord to, maintain the following insurance during the Term of this Sublease (collectively referred to herein as "**Sublandlord's Insurance**"). All references to "Sublandlord" are replaced with "Master Landlord" as the context requires below, to the extent such insurance is carried by Master Landlord rather than Sublandlord:

(a) *Liability Insurance.* Sublandlord shall maintain liability insurance as described in Paragraph 8.1.1(a), in addition to, and not in lieu of, the insurance required to be maintained by Subtenant. Subtenant shall not be named as an additional insured therein.

(b) *Property Insurance.* Sublandlord shall obtain and keep in force a policy or policies of insurance in the name of Sublandlord, with loss payable to Sublandlord, Master Landlord and/or to any Lien Holder (as the Master Lease or Project Loan Documents may require) insuring loss or damage to the Premises. The amount of such insurance shall be equal to the full insurable replacement cost of the Premises, as the same shall exist from time to time (less the amount of the Subtenant Improvements or Alterations), or the amount required by any Lien Holder, but in no event more than the commercially reasonable and available insurable value thereof. If the coverage is available and commercially appropriate, such policy or policies shall insure against all risks of direct physical loss or damage (except the perils of flood and/or earthquake unless required by a Lender), including coverage for debris removal and the enforcement of any applicable requirements requiring the upgrading, demolition, reconstruction or replacement of any portion of the Premises as the result of a covered loss. Said policy or policies shall also contain an agreed valuation provision in lieu of any coinsurance clause, waiver of subrogation and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located. If such insurance coverage has a deductible clause, the deductible amount shall not exceed Twenty-Five Thousand Dollars (**\$25,000.00**) per occurrence.

8.1.3 *Insurance Policies.* Insurance required herein shall be by companies maintaining during the policy term a "General Policyholders Rating" of at least A-, VII, as set forth in the most current issue of "Best's Insurance Guide," or such other rating as may be required by Sublandlord. Neither Sublandlord nor Subtenant shall do or permit to be done anything which invalidates the insurance policies required hereunder. The Parties shall, prior to the Effective Date, deliver to the other Party certified copies of policies of such insurance or certificates with copies of the required endorsements evidencing the existence and amounts of the required insurance. No such policy shall be cancelable or subject to modification, except after ten (10) days prior written notice to Sublandlord or Subtenant, as applicable. Each Party shall, at least thirty (30) days prior to the expiration of such policies, furnish

the other Party with evidence of renewals or "insurance binders" evidencing renewal thereof; in the event either Party fails to provide such evidence of renewal, the other Party may increase its liability insurance coverage and charge the cost thereof to the failing Party, which amount shall be payable by upon demand. Such policies shall be for a term of at least one (1) year, or the length of the remaining Term of this Sublease, whichever is less. If either Party shall fail to procure and maintain the insurance required to be carried by it, the other Party may, but shall not be required to, procure and maintain the same. Subtenant shall provide certificates of all insurance required to be carried by Subtenant prior to the Commencement Date (or Effective Date, if Subtenant intends to be physically present at the Premises prior to the Commencement Date).

8.1.4 *Waiver of Subrogation.* Each of Sublandlord and Subtenant hereby releases the other, its respective officers, directors, employees, affiliated companies and agents, from any and all liability or responsibility (to the other or anyone claiming through or under them by way of subrogation or otherwise) for any loss or damage to property covered by insurance which either party is required to maintain under this Sublease, even if such loss or damage shall have been caused by the fault or negligence of the other party, or anyone for whom such party may be responsible. However, this release shall be applicable and in force and effect only with respect to loss or damage occurring during such time as the releasor's insurance policies shall contain a clause or endorsement to the effect that any such release shall not adversely affect or impair such policies or prejudice the right of the releasor to recover thereunder. Each of Sublandlord and Subtenant agrees that any fire and extended coverage insurance policies shall include such a clause or endorsement as long as the same shall be obtainable without extra cost, or, if extra cost shall be charged therefor, so long as the other party pays such extra cost. If extra cost shall be chargeable therefor, each party shall notify the other party of the amount of the extra cost, and the other party, at its election, may pay the same, but shall not be obligated to do so.

8.2 Indemnity.

8.2.1 To the fullest extent permitted by applicable law, Subtenant covenants and agrees that Sublandlord shall not at any time or to any extent whatsoever be liable, responsible or in any way accountable for any loss, injury, death, or damage to persons or property which, at any time may be suffered or sustained by Subtenant or by any person who may at any time be using, occupying, or visiting the Premises or be in, on or about the Premises, from any cause whatsoever, except when such loss, injury, death or damage shall be caused by or in anywise result from or arise out of the gross negligence, recklessness, or intentional acts or omissions of Sublandlord. Furthermore, Subtenant shall forever indemnify, defend, hold and save Sublandlord free and harmless of, from and against any and all claims, liability, loss, damage, expenses and fees (including, without limitation, court costs and reasonable attorneys' fees) whatsoever caused by, related to, or on account of: (a) any loss, injury, death or damage occasioned by any cause other than Sublandlord's intentional or negligent acts or omissions; (b) Subtenant's breach of any of the terms or any of its obligations or representations or warranties under this Sublease (or any such breach caused by Subtenant's agents); and (c) any acts or omissions of Subtenant at the Premises, which are not permitted or prohibited pursuant to this Sublease. Subtenant hereby waives all claims against Sublandlord for damages to the Buildings and improvements now or hereafter located on the Property and to the property of Subtenant in, upon or about the Premises, and for injuries to persons or property in, on or about the Premises, from any cause arising at any time, except for any such claims arising from negligence or intentional acts or omissions committed by Sublandlord. Subtenant's indemnity obligation set forth in this Section 8 shall survive the termination or expiration of this Sublease with respect to any claims or liabilities arising out of injury or damage to person or property which occurs during the Term or any time prior thereto during which Subtenant or its contractors, agents, employees, guests, or invitees (the "**Subtenant Parties**") are present at the Premises.

SECTION 9. DAMAGE AND DESTRUCTION (CASUALTY)

9.1 If the Premises or Buildings are destroyed or damaged by fire or other casualty so that Subtenant is unable to occupy or access the Premises and, (a) in Sublandlord's judgment reasonably exercised within thirty (30) days after the destruction or damage, repairs cannot be made within sixty (60) days after the date of the damage or destruction, (b) such fire or other casualty results in a termination of the Master Lease, or (c) the proceeds of the insurance carried by Sublandlord or Master Landlord under this Sublease (or the Master Lease, as applicable) are

insufficient to restore the Premises to the condition required under this Sublease or any Lien Holder requires such proceeds be paid to such Lien Holder and are not released for restoration of the Premises, then Sublandlord may terminate this Sublease effective as of the date of the damage or destruction by giving Subtenant written notice within thirty (30) days of the date of the damage or destruction.

9.2 If Sublandlord does not terminate this Sublease as provided in Section 9.1 above, and provided that such event of casualty was not caused by the negligent or intentional acts of Subtenant or the Subtenant Parties, Sublandlord shall:

9.2.1 provide notice to Subtenant of the time Sublandlord reasonably expects such restoration to take, taking into consideration the severity of such casualty, the time for adjustment of loss and receipt of such insurance proceeds based on the involvement of the Master Landlord, Investor Member, and Lien Holders in such process (the "**Restoration Target Date**"), and

9.2.2 promptly thereafter, commence to rebuild, repair and restore the Premises and Buildings to the condition the same existed following completion of Sublandlord's Work (excluding any of the Subtenant Improvements and furniture, fixtures, equipment, personal property and Alterations undertaken by Subtenant, all of which shall be restored at Subtenant's sole cost and expense with the proceeds of the insurance carried at Section 8.1.1(b) above); provided, however,

(a) that if Sublandlord has not completed such restoration within thirty (30) days of the Restoration Target Date, subject to delays for Force Majeure Causes, Subtenant may, at its option, terminate this Sublease upon written notice to Sublandlord provided no later than sixty (60) days after the Restoration Target Date, but in no event after the actual restoration of the Premises by Sublandlord.

(b) Notwithstanding the foregoing, in the event Sublandlord has not taken commercially reasonable steps towards the commencement of rebuilding, repairing and restoring the Premises to its former condition within ninety (90) days of the date of the destruction or damage, subject to Force Majeure Causes, Subtenant shall have the right to terminate this Sublease by prior written notice to Sublandlord.

9.3 If the Premises shall be damaged in whole or in part such that during the last six (6) months of the Term Subtenant is unable to occupy or access the Premises or Building for its Permitted Use, then each of Sublandlord and Subtenant may, at its option, terminate this Sublease upon written notice to the other Party, provided that Subtenant shall not have such termination right if the damage was the result of the recklessness or intentional act of the Subtenant or any Subtenant Parties.

9.4 If the damage or destruction renders all or part of the Premises untenantable, Minimum Rent shall proportionately abate commencing on the date of the damage or destruction and ending on the date the Premises are delivered to Subtenant with Sublandlord's restoration obligation substantially complete. The extent of the abatement shall be based upon the portion of the Premises rendered untenantable, inaccessible or unfit for the Permitted Use.

SECTION 10. EMINENT DOMAIN

10.1 If Sublandlord receives notice of a proposed taking by eminent domain of any part of the Premises or twenty five percent (25%) or more of the Common Areas (including parking areas), Sublandlord will notify Subtenant of the proposed taking within ten (10) days of receiving said notice and Subtenant will have the option to: (i) declare this Sublease null and void and thereafter neither party will have any liability or obligation hereunder; or (ii) remain in possession of that portion of the Premises that will not be taken, in which event there shall be an equitable adjustment in Rent on account of the portion of the Premises so taken. With either option Subtenant shall have the right to pursue all available remedies at law or equity.

10.1.1 If this Sublease is not terminated as a result of any taking, Sublandlord shall restore the

Premises to an architecturally whole unit to the extent permitted pursuant to the Project Documents (and if not permitted, this Sublease shall terminate effective as of the date of such taking); provided, however, that Sublandlord shall not be obligated to expend on such restoration more than the amount of condemnation proceeds actually received by Sublandlord or made available to Sublandlord.

10.2 Sublandlord shall be entitled to the entire award for any taking, including, without limitation, any award made for the value of the leasehold estate created by this Sublease. No award for any partial or entire taking shall be apportioned, and Subtenant hereby assigns to Sublandlord any award that may be made in any taking, together with any and all rights of Subtenant now or hereafter arising in or to such award or any part thereof; provided, however, that nothing contained herein shall be deemed to give Sublandlord any interest in or to require Subtenant to assign to Sublandlord any separate award made to Subtenant for its relocation expenses, the taking of personal property and fixtures belonging to Subtenant, the unamortized value of improvements made or paid for by Subtenant or the interruption of or damage to Subtenant's business.

10.3 In the event of a partial taking that does not result in a termination of this Sublease as to the entire Premises, Minimum Rent shall be equitably adjusted in relation to the portions of the Premises and Buildings taken or rendered unusable by such taking.

SECTION 11. ASSIGNMENT AND SUBLETTING

11.1 Assignment and Subletting.

11.1.1 Subtenant may assign this Sublease, or any interest therein, at any time provided that:

(a) No Event of Default exists in the performance or observance of any agreement, covenant or condition of this Sublease on the part of Subtenant to be performed or observed as of the date of such assignment;

(b) The assignment shall be in writing, duly executed and acknowledged by Subtenant and the assignee, in form reasonably satisfactory to Sublandlord, providing that the assignee assumes and agrees to perform and observe all agreements, covenants and conditions of this Sublease on the part of Subtenant to be performed and observed;

(c) An executed original of such assignment shall be delivered to Sublandlord;

(d) As a condition to such assignment, unless the credit of such assignee is satisfactory to Sublandlord in Sublandlord's sole discretion, Subtenant shall require the assignee to provide financial security or a guarantor acceptable to Sublandlord, in Sublandlord's sole discretion;

(e) Such assignment shall be subject to the prior written approval of Master Landlord, Investor Member, and the Lien Holders; and

(f) The named Subtenant herein shall remain liable for the performance of all obligations of the Subtenant hereunder, unless otherwise consented to by Sublandlord in writing.

11.1.2 Subtenant shall have the right, in the regular and ordinary course of its business of maintaining and operating the Premises and improvements now or hereafter located on the Premises, to sub-sublease any offices, stores, spaces or related facilities of the Premises and improvements for any use permitted hereunder; provided, however, that: (i) each such sub-sublease shall be subject and subordinate to this Sublease and the rights of Sublandlord hereunder, (ii) each such sub-sublease shall state that, in the event of a termination of this Sublease, Sublandlord, at Sublandlord's sole election, may elect to treat such sub-sublease as a direct lease between Sublandlord and such sub-subtenant, and such sub-subtenant shall attorn to Sublandlord thereafter, (iii) Subtenant shall remain liable for all obligations of the Subtenant hereunder notwithstanding such other sub-sublease(s), and

(iv) such sub-sublease shall be subject to the prior consent of Sublandlord. No sub-sublease may extend beyond the term of this Sublease. Subtenant hereby assigns all rents and proceeds of the sub-subleases payable to Subtenant pursuant to the sub-subleases (the "**Sub-Sublease Rent**"), as a present assignment; provided, however, that prior to an Event of Default Subtenant shall have the right to receive and retain all Sub-Sublease Rent, and use the Sub-Sublease Rent to pay Rent, vendors, managers, and investors and other distributions and or pay-out all amounts collected as is in the normal course of business and is in reasonable and/or good faith custom and practice based on the then current circumstances, and/or as otherwise permitted in law or equity. Following an Event of Default, in addition to all other remedies of Sublandlord hereunder, Sublandlord may deliver written notice to each sub-subtenant, directing such sub-subtenant(s) to remit payments directly to Sublandlord, in which case Subtenant's right to collect, apply, utilize, or distribute Sub-Sublease Rent shall terminate.

SECTION 12. DEFAULT; REMEDIES OF THE PARTIES

12.1 Subtenant's Defaults. It shall be an event of default hereunder (each an "**Event of Default**") if:

12.1.1 default shall be made by Subtenant in the punctual payment of any Rent or other monies due hereunder and shall continue for a period of ten (10) days after written notice thereof to Subtenant, provided that Sublandlord shall not be required to provide written notice to Subtenant more than one (1) time per calendar year;

12.1.2 default shall be made by Subtenant in the performance or observance of any of the other agreements, covenants or conditions of this Sublease on the part of Subtenant to be performed and observed, or any of Subtenant's representations or warranties set forth herein is discovered to be materially false or untrue, and such default or misrepresentation shall continue for a period of thirty (30) days after written notice thereof to Subtenant, or, in the case of a default which cannot be cured by the payment of money and cannot be cured within thirty (30) days, shall continue for an unreasonable period after such written notice;

12.1.3 default shall be made by Subtenant under Section 1.3.1(b)-(d) herein, which default shall give Sublandlord an immediate right to terminate this Sublease under Section 12.1.2 below, provided, however, that if the documents or requirements referenced in Section 1.3.1(b)-(d) provide for a notice and cure period for Sublandlord, then Sublandlord shall provide any notice received by Sublandlord in connection with such default and afford Subtenant the same cure period afforded to Subtenant in connection therewith, less ten (10) days, it being the express intent of the Parties that if such defaults result in immediate damages, losses, costs, or expenses to Sublandlord without notice or cure rights from any Party, Subtenant shall not have any notice or cure rights with respect to such defaults;

12.1.4 Subtenant shall admit in writing its inability to pay its debts generally as they become due, file a petition in bankruptcy, insolvency, reorganization, readjustment of debt, dissolution or liquidation under any law or statute of the federal government or any state government or any subdivision of either now or hereafter in effect, make an assignment for the benefit of its creditors, consent to, or acquiesce in the appointment of a receiver of itself or of the whole or any substantial part of the Premises;

12.1.5 a court of competent jurisdiction shall enter an order, judgment or decree appointing a receiver of Subtenant or of the whole or any substantial part of the Premises, and such order, judgment or decree shall not be vacated, set aside or stayed within sixty (60) days from the date of entry of such order, judgment or decree, or a stay thereof be thereafter set aside;

12.1.6 a court of competent jurisdiction shall enter an order, judgment or decree approving a petition filed against Subtenant under any bankruptcy, insolvency, reorganization, readjustment of debt, dissolution or liquidation law or statute of the federal government or any state government or any subdivision of either now or hereafter in effect, and such order judgment or decree shall not be vacated, set aside or stayed within sixty (60) days from the date of entry of such order, judgment or decree, or a stay thereof be thereafter set aside; or

12.1.7 under the provisions of any other law for the relief or aid of debtors, a court of competent

jurisdiction shall assume custody or control of Subtenant or of the whole or any substantial part of the Premises, and such custody or control shall not be terminated within sixty (60) days from the date of assumption of such custody or control.

Notwithstanding any of the foregoing notice and cure periods to the contrary, to the extent such default by Subtenant results in or causes a Sublandlord default under the Master Lease or a default of Sublandlord under any Project Documents, the applicable notice and cure period shall be five (5) days less than the corresponding notice and cure period in the Master Lease, Project Documents. Upon the occurrence of any Event of Default by Subtenant hereunder, Sublandlord shall have the remedies set forth in Section 12.2, in addition to all other rights and remedies of Sublandlord provided hereunder or by law or equity.

12.2 Sublandlord's Remedies.

12.2.1 In the event of a Subtenant Event of Default, Sublandlord may elect to terminate this Sublease or, without terminating this Sublease, terminate Subtenant's right to possession of the Premises:

(a) Upon any such termination, Subtenant shall immediately surrender and vacate the Premises and deliver possession thereof to Sublandlord in the condition required for surrender as provided herein. Subtenant grants to Sublandlord the right to enter and repossess the Premises and to expel Subtenant and any others who may be occupying the Premises and to remove any and all property therefrom, without being deemed in any manner guilty of trespass and without relinquishing Sublandlord's rights to Rent, other amounts due to Sublandlord from Subtenant, or any other right given to Sublandlord hereunder or by operation of law.

(b) If Sublandlord terminates Subtenant's right to possession of the Premises without terminating this Sublease, Sublandlord may relet the Premises or any part thereof.

(c) In such case, Sublandlord shall use reasonable efforts to mitigate Subtenant's damages and to relet the Premises on such terms as Sublandlord shall reasonably deem appropriate.

(d) Subtenant shall reimburse Sublandlord for the reasonable costs and expenses of reletting the Premises, including, but not limited to, all brokerage, advertising, legal, alteration, repairs and other expenses incurred to secure a new tenant for the Premises, which shall include any tenant improvement work for a replacement tenant or tenants for the Premises or a portion thereof.

(e) If: (i) the consideration collected by Sublandlord upon any such reletting, after payment of the expenses of reletting the Premises which have not been reimbursed by Subtenant, together with any rent payable by any sub-sublessees which will remain at the Premises and attorn to Sublandlord following termination of this Sublease pursuant to Section 11.1.2 above, is insufficient to pay monthly the full amount of the Rent, or (ii) Sublandlord is during any time unable to relet the Premises or any part thereof, then, Subtenant shall pay to Sublandlord the amount of each monthly deficiency as it becomes due (which, for avoidance of doubt, will be the full amount of the Rent if the Premises are not relet at such time). If such consideration is greater than the amount necessary to pay the full amount of the monthly Rent, the full amount of such excess shall be retained by Sublandlord and shall in no event be payable to Subtenant.

12.2.2 In the event Sublandlord terminates this Sublease, Sublandlord may recover from Subtenant and Subtenant shall pay to Sublandlord, on demand, as and for liquidated damages, an accelerated lump sum equal to the amount by which Sublandlord's reasonable estimate of the aggregate amount of Rent owing and actually unpaid from the date of such termination through the stated expiration date of the Term hereof plus Sublandlord's estimate of the aggregate expenses of reletting the Premises; provided that the foregoing amount shall be decreased by the amount of rent payable by any sub-sublessees which will remain at the Premises and attorn to Sublandlord following termination of this Sublease pursuant to Section 11.1.2 above.

12.2.3 If any Event of Default of Subtenant may be cured by the taking of an action or payment of an amount by Sublandlord, Sublandlord shall have the right, but not the obligation, to take such action or pay

such amount necessary to cure the Event of Default at the expense of Subtenant, in which case Subtenant shall reimburse Sublandlord for Sublandlord's actual and reasonable out of pocket costs and expenses incurred in curing such Event of Default, within thirty (30) days of receipt of documentation of such out of pocket costs and expenses.

12.2.4 Any and all remedies in favor of Sublandlord as set forth in this Sublease: (i) shall be in addition to any and all other remedies Sublandlord may have at law or in equity; (ii) shall be cumulative; and (iii) may be pursued successively or concurrently as Sublandlord may elect. The exercise of any remedy by Sublandlord shall not be deemed an election of remedies or preclude Sublandlord from exercising any other remedies in the future.

12.2.5 In the event Sublandlord elects to terminate this Sublease, Subtenant shall be automatically and forever, released from liability hereunder, if:

(a) the total amount collectable from Subtenant's business activities, which activities are legally transferred and assigned to Sublandlord and Sublandlord agrees to accept and assume the same, together with the Sub-Sublease Rent is in excess of Rent as defined herein; and

(b) Subtenant surrenders possession of the Premises to Sublandlord and vacates the Premises in the conditions required as set forth herein; and

(c) all sub-subleases contain provisions requiring the sub-subtenants to attorn to Sublandlord, Subtenant sends notices to such sub-subtenants to pay rent to Sublandlord, and the sub-subtenants remain at the Premises and agree to attorn to and make Sub-Sublease payments to Sublandlord.

12.3 Late Charge. Subtenant acknowledges that Subtenant's failure to pay any installment of Rent or any other amounts due under this Sublease as and when due may cause Sublandlord to incur costs not contemplated by Sublandlord when entering into this Sublease, the exact nature and amount of which would be extremely difficult and impracticable to ascertain. Accordingly, if any installment of Rent or any other amount due under the Sublease is not received by Sublandlord as and when due, then, without any notice to Subtenant, Subtenant shall pay to Sublandlord an amount equal to Two and One Half Percent (2.5%) of the past due amount, which the Parties agree represents a fair and reasonable estimate of the costs incurred by Sublandlord as a result of the late payment by Subtenant, and shall not be considered a penalty or punitive damages.

12.4 Default Interest. In the event that Subtenant shall fail to pay any amount of Minimum Rent, Additional Rent, or any other monetary obligations owed to Sublandlord hereunder within ten (10) days of the date that such amounts are due and payable, Subtenant shall pay to Sublandlord, in addition to such amounts, interest thereon at Two Percent (2%) above the "**prime rate**" of interest announced to the public from time to time by the Wall Street Journal, or the maximum interest rate permitted by law, whichever is less ("**Interest Rate**"), from the first day of the month in which such monetary obligation was payable to the date of actual payment thereof by Subtenant to Sublandlord.

12.4 Subtenant's Remedies.

12.4.1 Sublandlord's Defaults. Sublandlord shall be in default in the performance of any obligation required to be performed by Sublandlord under this Sublease if Sublandlord has failed to perform such obligation within thirty (30) days after the receipt of written notice from Subtenant specifying in detail Sublandlord's failure to perform; provided, however, that if the nature of Sublandlord's obligation is such that more than thirty (30) calendar days are required for its performance, Sublandlord shall not be deemed in default if it shall commence such performance within thirty (30) days and thereafter diligently pursues the same to completion.

12.4.2 Subtenant Remedies. Upon any such default by Sublandlord, Subtenant shall have the right, but not the obligation, to cure the default at the expense of Sublandlord, in which case Sublandlord shall reimburse Subtenant for Subtenant's actual and reasonable out-of-pocket costs and expenses incurred in curing such default, within thirty (30) days of receipt of documentation of such out-of-pocket costs and expenses. If Sublandlord

fails to reimburse Subtenant for such amount within such thirty (30) day period, Subtenant shall be entitled to collect interest at the Interest Rate from the date the costs were incurred by Subtenant until paid by Sublandlord.

SECTION 13. GENERAL PROVISIONS

13.1 Estoppel Certificates. Subtenant or Sublandlord, as the case may be, will execute, acknowledge and deliver to the other and/or to Master Landlord and any Lien Holder, as applicable, promptly upon request, an estoppel certificate certifying:

13.1.1 The Sublease is unmodified and in full force and effect (or, if there have been modifications, that the Sublease is in full force and effect, as modified, and stating the modifications);

13.1.2 The dates, if any, to which the Minimum Rent, Additional Rent, and other monetary obligations have been paid;

13.1.3 Whether there are then existing any charges, offsets or defenses against the enforcement by Sublandlord of any agreement, covenant or condition hereof on the part of Subtenant to be performed or observed (and, if so, specifying the same);

13.1.4 Whether there are then existing any defaults by Sublandlord or Subtenant, as applicable, in the performance or observance of any agreement, covenant or condition hereof on the part of Sublandlord or Subtenant, as applicable, to be performed or observed and whether any notice has been given to Sublandlord or Subtenant, as applicable, of any default which has not been cured (and, if so, specifying the same); and

13.1.5 Any such certificate may be relied upon by Master Landlord, any Lien Holder and a prospective purchaser, mortgagee or trustee under a deed of trust of the Premises or any part thereof.

13.2 Third Party Rights. Nothing herein is intended to nor shall be construed to create any rights of any kind whatsoever in third persons or entities not parties to this Sublease.

13.3 No Partnership. It is expressly understood and agreed that Sublandlord does not, in any way or for any purpose by executing this Sublease, become a partner of Subtenant in the conduct of Subtenant's business, or otherwise, or a joint-venturer or a member of a joint enterprise with Subtenant.

13.4 Successors. The provisions herein contained to be performed, fulfilled, observed and kept shall be binding upon the successors and assigns of the Parties hereto, and the rights hereunder, and all rights, privileges, and benefits arising under this Sublease and in favor of either Party shall be available in favor of the successors and assigns thereof, respectively; provided that no assignment by or through Subtenant in violation of the provisions of this Sublease shall vest any rights in such assignee or successor.

13.5 Real Estate Brokers. Subtenant and Sublandlord each represent that it has not had dealings with any real estate broker, finder or other similar person with respect to this Sublease in any manner. To the extent permitted by law, Subtenant and Sublandlord each shall indemnify the other from all claims that may be asserted against the other by any broker, finder or other similar person with whom it has or purportedly has dealt.

13.6 Notices. Except as otherwise provided hereunder, any notice or communication to Sublandlord, Subtenant or Lender shall be in writing and be mailed by: (i) certified mail, postage prepaid, or (ii) reputable overnight courier, postage prepaid.

13.6.1 Notices or communications shall be addressed to Sublandlord at the address set forth on Schedule "4" hereto or such other address or addresses as Sublandlord shall from time to time designate, or to such agent of Sublandlord as it may from time to time designate, by notice in writing to Subtenant.

13.6.2 Notices or communications shall be addressed to Subtenant at the address set forth on Schedule "4" hereto or such other address or addresses as Subtenant shall from time to time designate, or to such agent of Subtenant as it may from time to time designate, by notice in writing to Sublandlord. Notices or communications to Lender shall be addressed to Lender at such address as Lender shall from time to time designate by notice in writing to Sublandlord.

13.6.3 Any notice mailed in the manner above set forth shall be deemed to have been received: (a) on the third business day following deposit with the United States Postal Service by certified mail, postage prepaid; or (b) on the next business day following deposit with reputable overnight courier for overnight delivery, postage prepaid.

13.7 Severability. In case any one or more of the provisions contained in this Sublease shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Sublease, but this Sublease shall be construed as if such invalid, illegal or unenforceable provisions had not been contained herein.

13.8 Time of the Essence. Time is of the essence of each and all of the agreements, covenants and conditions of this Sublease.

13.9 Consents. Whenever in this Sublease the consent or approval of either Sublandlord or Subtenant is required or permitted, except where a different standard is expressly set forth herein, the Party requested to give such consent or approval will act promptly and will not unreasonably withhold its consent or approval.

13.10 Attorney's Fees. Except as otherwise provided in this Sublease, in the event of any action or proceeding at law or in equity between Sublandlord and Subtenant to enforce any provision of this Sublease or to protect or establish any right or remedy of either Party hereunder, each of the Parties shall be solely responsible for payment of its respective costs, expenses, and attorneys' fees.

13.11 Integration. This instrument constitutes the entire agreement between Sublandlord and Subtenant with respect to the subject matter hereof and supersedes all prior offers and negotiations, oral or written. This Sublease may not be amended or modified in any respect whatsoever except by an instrument in writing signed by Sublandlord and Subtenant.

13.11.1 No representation, covenant or other matter, oral or written, that is not expressly set forth in this Sublease, or in documents expressly referred to in this Sublease, shall be a part of, modify or affect this Sublease; provided, however, that this Sublease may be modified at the sole discretion of each of Sublandlord and Subtenant if the modification is in writing, executed by Sublandlord and Subtenant.

13.11.2 It is expressly acknowledged, understood and agreed that neither Sublandlord nor Subtenant shall have any obligation whatsoever to amend or revise any term or condition of this Sublease, including, without limitation, any amendment or revision to the Permitted Use or to the Term or Rent, or that may in any respect modify any rights or obligations of Sublandlord or Subtenant under the provisions of this Sublease.

13.12 Amendments. This Sublease may be modified only in writing and if only signed by the Parties at the time of the modification.

13.13 Governing Law. This Sublease shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia. The parties hereby submit to the exclusive jurisdiction of the state court located in Danville, Virginia, or the U.S. District Court for the Western District of Virginia (Danville Division), in any action or proceeding arising out of, or related to, this Lease, and the parties hereby agree that all claims in respect of any action or proceeding shall be heard or determined only in either of these courts (except for appeals thereof, which shall be heard or determined in the applicable appellate courts). The parties agree that a final, non-appealable judgment in any action or proceeding shall, to the extent permitted by applicable law, be conclusive and may be

enforced in other jurisdictions by suit on the judgment, or in any other matter provided by applicable law related to the enforcement of judgments.

13.14 Non-Waiver. If any action or proceeding is instituted or if any other steps are taken by Sublandlord or Subtenant, and a compromise part payment or settlement thereof shall be made, either before or after judgment, the same shall not constitute or operate as a waiver by Sublandlord or Subtenant of any agreement, covenant or condition of this Sublease or of any subsequent breach thereof.

13.14.1 No waiver of any Event of Default under this Sublease shall constitute or operate as a waiver of any subsequent Event of Default hereunder, and no delay, failure or omission in exercising or enforcing any right, privilege, or option under this Sublease shall constitute a waiver, abandonment or relinquishment thereof or prohibit or prevent any election under or enforcement or exercise of any right, privilege or option hereunder. No waiver of any provision hereof by Sublandlord or Subtenant shall be deemed to have been made unless and until such waiver shall have been reduced to writing and signed by Sublandlord or Subtenant, as the case may be.

13.14.2 The receipt by Sublandlord of Rent with knowledge of any Event of Default under this Sublease shall not constitute or operate as a waiver of such Event of Default. Payment by Subtenant or receipt by Sublandlord of a lesser amount than the stipulated Rent or other sums due Sublandlord shall operate only as a payment on account of such Rent or other sums.

13.14.3 No endorsement or statement on any check or other remittance or in any communication accompanying or relating to such payment shall operate as a compromise or accord and satisfaction unless the same is approved in writing by Sublandlord, and Sublandlord may accept such check, remittance or payment without prejudice to its right to recover the balance of any Rent or other sums due by Subtenant and pursue any remedy provided under this Sublease or by law.

13.15 No Merger.

13.15.1 There shall be no merger of the leasehold estate created by this Sublease with any other estate in the Premises, including the fee estate, by reason of the fact that the same person may own or hold the leasehold estate created by this Sublease, or an interest in such leasehold estate, and such other estate in the Premises, including the fee estate, or any interest in such other estate; and no merger shall occur unless and until Sublandlord, Subtenant and any Lender shall join in a written instrument effecting such merger and shall duly record the same.

13.15.2 No termination of this Sublease shall cause a merger of the estates of Sublandlord and Subtenant, unless Sublandlord so elects and any such termination shall, at the option of Sublandlord, either work a termination of any sublease in effect or act as an assignment to Sublandlord of Subtenant's interest in any such sublease.

13.16 Force Majeure. In the event that Subtenant or Sublandlord is delayed, directly or indirectly, from the performance of any act required under the terms hereof (other than the payment of Rent or other money due from one Party to the other) by acts of God, accidents, fire, floods, inclement weather, governmental action, restrictions, priorities, or allocations of any and all kinds, strikes or labor difficulties of any and all kinds, shortages of or delay in the delivery of material, acts of war, riot and civil commotion, or by any similar cause reasonably beyond the control of Subtenant or Sublandlord ("**Force Majeure Causes**"), as the case may be, such failure shall not be deemed to be a breach of this Sublease or a violation of any such covenants and the time within which Subtenant or Sublandlord must perform any said act shall be extended by a period of time equal to the period of delay arising from Force Majeure Causes.

13.16 Severability. If any part of this Sublease is determined to be unenforceable, the remainder of the Sublease shall be unaffected and remain valid, enforceable and in full force and effect.

[signature page follows]

IN WITNESS WHEREOF, intending to be bound by the terms, conditions, and provisions contained herein, the Parties have executed this COMMERCIAL SUBLEASE as of the Effective Date.

SUBLANDLORD:

**INDUSTRIAL DEVELOPMENT AUTHORITY OF
DANVILLE, VIRGINIA,**
a political subdivision of the Commonwealth of Virginia

By: _____
Name: _____
Title: _____

SUBTENANT:

THE CITY OF DANVILLE, VIRGINIA,
a political subdivision of the Commonwealth of Virginia

By: _____
Name: _____
Title: _____

EXHIBIT "A-1"

LEGAL DESCRIPTION OF PREMISES; PROPERTY

A portion of Unit No. 1, containing approximately 13,205 square feet, known as the “Parks & Recreation Leasehold Space, 420 Memorial Drive, Suite 101”,

A portion of that certain parcel designated as Unit No. One (1) in the Declaration for White Mill Condominium and the exhibits attached thereto (collectively, the “Declaration”) recorded in the Clerk’s Office of the Circuit Court of the City of Danville, Virginia, on December 7, 2022 as Instrument No. 220005004, together with all appurtenances, rights, and privileges thereto belonging contained and defined in the Declaration, including, but not limited to, the rights in the Common Elements and the Limited Common Elements applicable to the Unit.

EXHIBIT "A-2"
SURVEY OF PROPERTY
[See Attached]

EXHIBIT "B"
CONDO DOCUMENTS

[See Attached]

EXHIBIT "C"
PERMITTED EXCEPTIONS

[See Attached]

EXHIBIT "D"
PROHIBITED USES

[See Attached]

["**Sublandlord's Work**" means One Million and 00/100 Dollars (\$1,000,000.00) of Subtenant Improvements and being a portion of the Maximum Allowance.]

- Any use with external storage (with the exception of outdoor recreational equipment)
- Discount or convenience related retail exceeding 1% of total commercial SF
- Low income housing that exceeds 45% of total number of residential units
- Pawn shops
- Interior or exterior gun ranges
- Heavy industrial uses that require heavy truck traffic
- Industrial uses that emit odors and loud noises
- Any end use that requires exterior security fencing that prohibits pedestrian access to the site and the river.
- Gas stations
- Automobile or vehicle repair shops (standard body shops)
- Car lots
- Salvage yards/Junk yards
- Prisons, jails, and detention centers
- Halfway Houses
- Uses that require significant interior storage of construction equipment or raw materials (other than for the redevelopment of the building)
- Exterior agricultural uses
- Mini-storage warehousing that exceeds 33% any individual floor and 25% of the building
- Adult novelty stores

EXHIBIT "D"
COMMERCIAL SUBLEASE

EXHIBIT "E"
HTC ELIGIBLE SUBTENANT IMPROVEMENTS

[See Attached]

EXHIBIT "F"

NON-HTC ELIGIBLE SUBTENANT IMPROVEMENTS

[See Attached]

EXHIBIT "F"
COMMERCIAL SUBLEASE

EXHIBIT "G"
APPROVED ALTERATIONS

[See Attached]

EXHIBIT "H"
LIST OF LEASES AND CONTRACTS

[See Attached]

SCHEDULE "1"

BUILDER'S RICKE INSURANCE REQUIREMENTS

[See Attached]

SCHEDULE "2"

MINIMUM RENT; ADDITIONAL RENT (First 120 Month Term)

[See Attached]

SCHEDULE "3"

COMMENCEMENT DATE NOTICE

[See Attached]

SCHEDULE "4"

NOTICE ADDRESSES

Any Notice required by the provisions of this Sublease to be given to Sublandlord shall be addressed as follows:

DANVILLE IDA	
Industrial Development Authority of Danville, Virginia c/o Office of the City Attorney City of Danville, Virginia (427 Patton Street, Room 421 – zip code 24541) P. O. Box 3300 Danville, Virginia 24543	With a copy to: Office of the City Attorney City of Danville, Virginia (427 Patton Street, Room 421 – zip code 24541) P. O. Box 3300 Danville, Virginia 24543
MASTER LANDLORD	
WHITE MILL MT 1, LLC c/o The Alexander Company 2450 Rimrock Road, Suite 100 Madison, Wisconsin 53713 Attention: Joseph M. Alexander	With copies to: MICHAEL BEST & FRIEDRICH LLP One South Pinckney Street, Suite 700 Madison, WI 53703 Attention: Kevin A. Martin, Esq.
	Chase Community Equity, LLC c/o JPMorgan Chase Bank, N.A. 10 S. Dearborn, 19 th Floor Mail Code: IL1-0953 Chicago, Illinois 60603-5506 Attention: HTC Asset Management Facsimile: (312) 325-5050 Email: cdb.htc.assetmanagement@chase.com Project Name: White Mill (VA)
	Chase Community Equity, LLC c/o JPMorgan Chase Bank, N.A. 560 Mission Street, 3 rd Floor San Francisco, California 94105 Attention: Keith Pettus Telephone: (415) 315-8488 Email: keith.pettus@chase.com Project Name: White Mill (VA)
	Buchalter, a Professional Corporation 1000 Wilshire Boulevard, Suite 1500 Los Angeles, California 90017

	Attention: C. Tyler Ohanian, Esq. Telephone: (213) 891-5041 Email: tohanian@buchalter.com Project Name: White Mill (VA) (J0732-0105)
SUBTENANT	
	With a copy to:

Schedule 2
Anticipated Rent Schedule
Dan River Falls – Parks & Recreation

Size of Space (SF)		13,205
Minimum Rent (per SF)	\$	16.00
Annual Escalator		2%
Additional Rent – CAM (per SF)	\$	4.78
Assumed Annual Escalator		3%
Term of Lease (Years)		10
Term of Lease (Months)		120
Monthly Lease Rate	\$	22,871.34

Month	Minimum Rent	Additional Rent	Total Rent
1	\$ 17,606.67	\$ 5,264.68	\$ 22,871.34
2	\$ 17,606.67	\$ 5,264.68	\$ 22,871.34
3	\$ 17,606.67	\$ 5,264.68	\$ 22,871.34
4	\$ 17,606.67	\$ 5,264.68	\$ 22,871.34
5	\$ 17,606.67	\$ 5,264.68	\$ 22,871.34
6	\$ 17,606.67	\$ 5,264.68	\$ 22,871.34
7	\$ 17,606.67	\$ 5,264.68	\$ 22,871.34
8	\$ 17,606.67	\$ 5,264.68	\$ 22,871.34
9	\$ 17,606.67	\$ 5,264.68	\$ 22,871.34
10	\$ 17,606.67	\$ 5,264.68	\$ 22,871.34
11	\$ 17,606.67	\$ 5,264.68	\$ 22,871.34
12	\$ 17,606.67	\$ 5,264.68	\$ 22,871.34
13	\$ 17,958.80	\$ 5,422.62	\$ 23,381.42
14	\$ 17,958.80	\$ 5,422.62	\$ 23,381.42
15	\$ 17,958.80	\$ 5,422.62	\$ 23,381.42
16	\$ 17,958.80	\$ 5,422.62	\$ 23,381.42
17	\$ 17,958.80	\$ 5,422.62	\$ 23,381.42
18	\$ 17,958.80	\$ 5,422.62	\$ 23,381.42
19	\$ 17,958.80	\$ 5,422.62	\$ 23,381.42
20	\$ 17,958.80	\$ 5,422.62	\$ 23,381.42
21	\$ 17,958.80	\$ 5,422.62	\$ 23,381.42
22	\$ 17,958.80	\$ 5,422.62	\$ 23,381.42
23	\$ 17,958.80	\$ 5,422.62	\$ 23,381.42
24	\$ 17,958.80	\$ 5,422.62	\$ 23,381.42
25	\$ 18,317.98	\$ 5,585.29	\$ 23,903.27
26	\$ 18,317.98	\$ 5,585.29	\$ 23,903.27
27	\$ 18,317.98	\$ 5,585.29	\$ 23,903.27
28	\$ 18,317.98	\$ 5,585.29	\$ 23,903.27
29	\$ 18,317.98	\$ 5,585.29	\$ 23,903.27
30	\$ 18,317.98	\$ 5,585.29	\$ 23,903.27
31	\$ 18,317.98	\$ 5,585.29	\$ 23,903.27
32	\$ 18,317.98	\$ 5,585.29	\$ 23,903.27
33	\$ 18,317.98	\$ 5,585.29	\$ 23,903.27

34	\$	18,317.98	\$	5,585.29	\$	23,903.27
35	\$	18,317.98	\$	5,585.29	\$	23,903.27
36	\$	18,317.98	\$	5,585.29	\$	23,903.27
37	\$	18,684.34	\$	5,752.85	\$	24,437.19
38	\$	18,684.34	\$	5,752.85	\$	24,437.19
39	\$	18,684.34	\$	5,752.85	\$	24,437.19
40	\$	18,684.34	\$	5,752.85	\$	24,437.19
41	\$	18,684.34	\$	5,752.85	\$	24,437.19
42	\$	18,684.34	\$	5,752.85	\$	24,437.19
43	\$	18,684.34	\$	5,752.85	\$	24,437.19
44	\$	18,684.34	\$	5,752.85	\$	24,437.19
45	\$	18,684.34	\$	5,752.85	\$	24,437.19
46	\$	18,684.34	\$	5,752.85	\$	24,437.19
47	\$	18,684.34	\$	5,752.85	\$	24,437.19
48	\$	18,684.34	\$	5,752.85	\$	24,437.19
49	\$	19,058.02	\$	5,925.44	\$	24,983.46
50	\$	19,058.02	\$	5,925.44	\$	24,983.46
51	\$	19,058.02	\$	5,925.44	\$	24,983.46
52	\$	19,058.02	\$	5,925.44	\$	24,983.46
53	\$	19,058.02	\$	5,925.44	\$	24,983.46
54	\$	19,058.02	\$	5,925.44	\$	24,983.46
55	\$	19,058.02	\$	5,925.44	\$	24,983.46
56	\$	19,058.02	\$	5,925.44	\$	24,983.46
57	\$	19,058.02	\$	5,925.44	\$	24,983.46
58	\$	19,058.02	\$	5,925.44	\$	24,983.46
59	\$	19,058.02	\$	5,925.44	\$	24,983.46
60	\$	19,058.02	\$	5,925.44	\$	24,983.46
61	\$	19,439.18	\$	6,103.20	\$	25,542.39
62	\$	19,439.18	\$	6,103.20	\$	25,542.39
63	\$	19,439.18	\$	6,103.20	\$	25,542.39
64	\$	19,439.18	\$	6,103.20	\$	25,542.39
65	\$	19,439.18	\$	6,103.20	\$	25,542.39
66	\$	19,439.18	\$	6,103.20	\$	25,542.39
67	\$	19,439.18	\$	6,103.20	\$	25,542.39
68	\$	19,439.18	\$	6,103.20	\$	25,542.39
69	\$	19,439.18	\$	6,103.20	\$	25,542.39
70	\$	19,439.18	\$	6,103.20	\$	25,542.39
71	\$	19,439.18	\$	6,103.20	\$	25,542.39
72	\$	19,439.18	\$	6,103.20	\$	25,542.39
73	\$	19,827.97	\$	6,286.30	\$	26,114.26
74	\$	19,827.97	\$	6,286.30	\$	26,114.26
75	\$	19,827.97	\$	6,286.30	\$	26,114.26
76	\$	19,827.97	\$	6,286.30	\$	26,114.26
77	\$	19,827.97	\$	6,286.30	\$	26,114.26
78	\$	19,827.97	\$	6,286.30	\$	26,114.26
79	\$	19,827.97	\$	6,286.30	\$	26,114.26
80	\$	19,827.97	\$	6,286.30	\$	26,114.26
81	\$	19,827.97	\$	6,286.30	\$	26,114.26

82	\$ 19,827.97	\$ 6,286.30	\$ 26,114.26
83	\$ 19,827.97	\$ 6,286.30	\$ 26,114.26
84	\$ 19,827.97	\$ 6,286.30	\$ 26,114.26
85	\$ 20,224.53	\$ 6,474.89	\$ 26,699.41
86	\$ 20,224.53	\$ 6,474.89	\$ 26,699.41
87	\$ 20,224.53	\$ 6,474.89	\$ 26,699.41
88	\$ 20,224.53	\$ 6,474.89	\$ 26,699.41
89	\$ 20,224.53	\$ 6,474.89	\$ 26,699.41
90	\$ 20,224.53	\$ 6,474.89	\$ 26,699.41
91	\$ 20,224.53	\$ 6,474.89	\$ 26,699.41
92	\$ 20,224.53	\$ 6,474.89	\$ 26,699.41
93	\$ 20,224.53	\$ 6,474.89	\$ 26,699.41
94	\$ 20,224.53	\$ 6,474.89	\$ 26,699.41
95	\$ 20,224.53	\$ 6,474.89	\$ 26,699.41
96	\$ 20,224.53	\$ 6,474.89	\$ 26,699.41
97	\$ 20,629.02	\$ 6,669.13	\$ 27,298.15
98	\$ 20,629.02	\$ 6,669.13	\$ 27,298.15
99	\$ 20,629.02	\$ 6,669.13	\$ 27,298.15
100	\$ 20,629.02	\$ 6,669.13	\$ 27,298.15
101	\$ 20,629.02	\$ 6,669.13	\$ 27,298.15
102	\$ 20,629.02	\$ 6,669.13	\$ 27,298.15
103	\$ 20,629.02	\$ 6,669.13	\$ 27,298.15
104	\$ 20,629.02	\$ 6,669.13	\$ 27,298.15
105	\$ 20,629.02	\$ 6,669.13	\$ 27,298.15
106	\$ 20,629.02	\$ 6,669.13	\$ 27,298.15
107	\$ 20,629.02	\$ 6,669.13	\$ 27,298.15
108	\$ 20,629.02	\$ 6,669.13	\$ 27,298.15
109	\$ 21,041.60	\$ 6,869.21	\$ 27,910.80
110	\$ 21,041.60	\$ 6,869.21	\$ 27,910.80
111	\$ 21,041.60	\$ 6,869.21	\$ 27,910.80
112	\$ 21,041.60	\$ 6,869.21	\$ 27,910.80
113	\$ 21,041.60	\$ 6,869.21	\$ 27,910.80
114	\$ 21,041.60	\$ 6,869.21	\$ 27,910.80
115	\$ 21,041.60	\$ 6,869.21	\$ 27,910.80
116	\$ 21,041.60	\$ 6,869.21	\$ 27,910.80
117	\$ 21,041.60	\$ 6,869.21	\$ 27,910.80
118	\$ 21,041.60	\$ 6,869.21	\$ 27,910.80
119	\$ 21,041.60	\$ 6,869.21	\$ 27,910.80
120	\$ 21,041.60	\$ 6,869.21	\$ 27,910.80
Total	\$ 2,313,457.05	\$ 724,243.33	\$ 3,037,700.38