

FOR DISCUSSION PURPOSES ONLY

ADDENDUM NO. 1

Lease Rate, Annual Increase, and Renewals

This Addendum No. 1 (“**Addendum**”) is made and entered into effective as of the ____ day of _____, 2021, as an addendum to the Standard Commercial/Industrial Building Lease dated _____, 2021 (the “**Lease**”), between SI Virginia II, LLC, a Virginia limited liability company (“**Lessor**”), and Serena & Lily, Inc. a Delaware corporation (“**Lessee**”), and _____, a _____ [corp/LLC/general partnership] (“**Guarantor**”), for a 650,250 square foot building located at 6055 Quality Way, Prince George, Virginia, being 157.10+/- acres (92.6+/- acres designated to remain as forest/open space) in the SouthPoint Business Park (collectively, the building and land shall be referred to as the “**Premises**”).

WITNESSETH:

WHEREAS, Lessor and Lessee entered into the Lease as stated above. Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Lease; and

WHEREAS, Guarantor has read, understands and approves the changes made to the Lease herein and executes this Addendum to acknowledge his, her or its agreement that the changes herein will not change or limit his, her or its guaranty of the Lease; and

WHEREAS, Lessee and Lessor desire to further amend the Lease as provided herein.

NOW, THEREFORE, in consideration of the terms, conditions and mutual promises contained herein, and in the Lease, as amended hereby, the parties hereto agree as follows:

1. PREMISES UNDER CONSTRUCTION

The Premises to be leased by the Lessee are currently under construction with an anticipated completion date of November 15, 2021, as further outlined in this Addendum.

2. EARLY OCCUPANCY FOR FREE

Upon the Lease and Addendum being fully executed, completion of the shell structure, appropriate damage deposit received, proof that the utilities have been transferred, proof insurance has been secured with a copy of the insurance policy and certificate of insurance naming Lessor as additional insured, the Lessee may occupy the facility pre-term rent free for equipment installation and set-up (“**Early Occupancy**”). The anticipated Early Occupancy date is November 1, 2021. Prior to Early Occupancy, the parties will walk through the facility together and will execute an Acceptance of Premises. Lessee’s acceptance of Premises is subject to items identified in the walkthrough to be completed or repaired (the “**Punchlist**”). During Early Occupancy, the Lessee shall be subject to all of the terms and conditions of the Lease. The Early Occupancy term shall end upon Lease Commencement.

3. LEASE COMMENCEMENT DATE

The Lease Commencement Date shall be defined as the later date of (1) the receipt of a Certificate of Occupancy sufficient to allow the intended use of the Premises, or (2) January 1, 2022. This Lease Commencement Date shall be commemorated in a lease addendum signed by Lessee and Lessor as soon as is practical after such date is determined.

4. LEASE RATE

Annual Triple Net Lease Rate is as follows:

First Year Rate: \$5.23/square foot/year. Upon the first anniversary date of the Lease Commencement Date and for all consecutive anniversaries thereafter, the lease base rental rate will be adjusted each year by the annual percentage change in the Consumer Price Index for All Urban Consumers (CPI-U) published closest to the anniversary of the Lease Commencement Date, but not less than three percent (3%).

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5. BUILDING REQUIREMENTS

Tilt-up concrete walls and pre-engineered steel rigid frame structure with 60'x60' bays 40' clear height, 6" concrete floor with helix micro rebar reinforcement, 24 gauge standing seam galvalume 30-year roof, HVAC efficient suspended gas forced air heaters, ESFR sprinkler system, LED lighting, 2000 AMP 277/480 volt electrical service, 144 9' x 10' dock doors, (2) drive in 14' x 14' doors, and (200) trailer drop spaces with (161) car parking spaces.

6. TENANT IMPROVEMENT ALLOWANCE

An allowance of up to \$750,000.00 (the "Allowance") can be used by Lessee for the Tenant Upfits. Any unused portion can be paid to Lessee or rent adjusted and reduced according to Section 8 below.

Lessee has the option to self-perform the Upfits. If Lessee chooses to self-perform Upfits, Lessor must approve construction plans, before work commences, and Lease Commencement date will be January 1, 2022, since completion of construction will not be under the control of the Lessor.

7. TENANT UPFITS

The Lessor shall provide and construct tenant improvements to the Premises consisting of Offices, Lobby, Lunchroom and Toilets, all totaling approximately 3,500 SF, and built in accordance with the specifications established in the Standard Commercial Office Specifications attached to the Lease as Exhibit C (collectively, the "Tenant Upfits"). The Overall Floor Plan and Office Plan sketches attached to the Lease as Exhibit D provide further details regarding the location and scope of Tenant Upfits. Lessor shall (i) obtain and provide detailed construction drawings, (ii) seek and obtain all buildings permits to complete the Tenant Upfits; and (iii) pursue construction in a good and workmanlike manner in compliance with all applicable laws, codes, and regulations. Lessor shall substantially complete the Tenant Upfits by November 15, 2021. The cost of the Tenant Upfits will be applied against the Allowance with the difference paid directly to the Lessee.

Lessee may request additions or changes to the agreed upon plans for the tenant improvements. Any cost increases or decreases associated therewith will impact the base rental rate for the Premises. The rental rate adjustment will be calculated using the formula below in Lease Rate Adjustments for Changes in Scope of Work.

Premises to be delivered where-is, "As Is, Where Is," except for Lessor's Warranties as described in Section 12 of this Addendum.

8. LEASE RATE ADJUSTMENTS FOR CHANGES IN SCOPE

Rental Rate adjustments, if any, will begin upon the Lease Commencement Date. In the event Lessee requests a change order or modification to the Tenant Upfits that affects the costs thereof, the annual rental rate for the Premises identified in Section 4 above may be adjusted up or down for Tenant Upfits pursuant to a prior written change order agreement for building improvements signed by Lessor and Lessee by using the following formula: \$0.014 /SF/\$75,000 (as calculated on 650,250 S.F.) change in costs.

Such rental rate adjustment formula would also apply to any other portion of the scope of Tenant Upfits which is changed from that described herein or in the Lease, lease amendments, and any associated exhibits, and such changes shall be documented by a fully executed Change Order signed by Lessee and Lessor. The total change orders to the scope of work through this formula is limited to \$1,500,000 change addition or reduction in the cost of construction.

Lessee shall pay monthly rent for the Premises during the term of the Lease in accordance with Section 4 above, as may be adjusted by this section and Section 7 above, at the time and place where rent is due as described in the Lease. All amounts required to be paid by Lessee under this Lease shall be considered to be rent and shall be payable as provided in the Lease.

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9. RENEWALS FOR THE PREMISES

Lessor hereby grants to Lessee three (3) successive five (5) year renewals under the same terms and conditions as the Lease.

10. BROKERS

Lessor and Lessee each represent and warrant to the other that neither party is represented by a broker or other agent in connection with the Lease other than Lee & Associates Oakland Commercial Real Estate Services Inc. (the “**Broker**”), who represents the Lessee. Lessor shall pay commission fees as defined in a separate agreement to Broker upon receiving a fully executed Lease and removal of all contingencies.

11. PENALTIES

A \$10,000 per calendar day fine will be levied against the Lessor payable to the Lessee for every calendar day after November 15, 2021, for which a Certificate of Occupancy sufficient to allow the intended use of the Premises has not been issued the Premises not being completed in accordance with the plans and specifications agreed, unless the delay in such issuance or completion is the direct result of:

- a. Force Majeure;
- b. Failure of Lessee to grant approvals where necessary on a timely basis;
- c. Lessee and Lessor’s written agreement to extend the Premises delivery due date due to approved change orders; or
- d. Any delay that is caused by information or specifications needed from Lessee or their subcontractors, vendors or engineers, as described in **Exhibit 1** attached hereto.

12. WARRANTIES

Lessor shall assign to Lessee all third-party contractor’s manufacturers and equipment warranties which Lessor has obtained in connection with the Premises or shall have them issued directly to the Lessee by the manufacturers. During the term of the Lease, warranty of the roof shall remain with Lessor. Upon any termination of the Lease, all warranties assigned, issued or delivered to Lessee shall be assigned, reassigned or delivered to Lessor. The assignments, reassignments or redelivery shall be deemed to occur automatically with the termination of the Lease, without the need for further documentation; however, Lessee agrees to execute and deliver the appropriate documents necessary and appropriate to do so on any termination upon request.

Lessor guarantees to Lessee the Premises and all of Lessor’s construction will be covered against defective design, workmanship and materials, latent or otherwise, for a period of one (1) year from the execution of the Lease Commencement Date (the “**Warranty Period**”).

13. ASSIGNMENT

Section 14 of the Lease is hereby amended to include the following:

Lessee shall have the right to assign or sublease all or any portion of the Premises during the initial term or any renewal term of the Lease without consent of the Lessor to: (i) an entity resulting from a merger or consolidation, (ii) any entity succeeding in the business and assets of the Lessee, or (iii) any subsidiary or affiliate of Lessee. Any other assignment or sublease may not be made without prior written consent of the Lessor, which consent shall not be unreasonably withheld or delayed. Lessee shall be allowed to retain fifty percent (50%) of the profit from any sublease or assignment during the Lease.

14. HOLDOVER

Section 15(iii) under Default of the Lease is hereby amended to include the following:

Lessee shall have the right to holdover for up to two (2) consecutive one-month periods following the Lease expiration on the same terms and conditions as provided in the Lease; however, Lessee must provide Lessor with ninety (90) days’ notice prior to the holdover period. Thereafter, beginning on the third consecutive month, Lessee shall pay 150% rental rate as set forth in the Lease. All other terms and conditions of Section 15(iii) remain the same.

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15. QUIET ENJOYMENT

Lessor covenants that Lessee, upon paying when due the Rent and additional rent herein provided for and observing and keeping all provisions of this Lease on its part to be observed and kept, shall quietly have and enjoy the Premises during the term of this Lease, without hindrance or molestation by anyone claiming by, through or under Lessor, subject, however, to the exception, reservations, and provisions of this Lease.

16. LANDLORD LIEN WAIVERS

The Lessor shall execute, at Lessee's request, one or more Landlord Lien Waiver forms in favor of Lessee's lenders in a form reasonably acceptable to such lenders and acceptable to Lessor and Lessor's lender.

17. SUBORDINATION, NON-DISTURBANCE & ATTORNMENT

Section 5 of the Lease is amended to include the following:

The Mortgagees Rights and Financial Info provision of this Lease are conditioned upon the delivery to Lessee by Lessor's lender of an executed Subordination, Non-Disturbance Attornment Agreement in a form reasonably acceptable to Lessee and consistent with prior practices. Lessor represents and warrants to Lessee that as of the date of this Lease, that the Premises is not subject to any liens of any type or nature except by a Deed of Trust.

18. AUTHORIZATIONS

Lessor represents and warrants that: (a) Lessor has taken all actions required by law, its governing documents or otherwise to authorize the execution, delivery and performance of this Addendum; and (b) this Addendum has been duly executed and delivered by a duly authorized officer of Lessor.

Lessee represents and warrants that: (a) Lessee has taken all actions required by law, its governing documents or otherwise to authorize the execution, delivery and performance of this Addendum; and (b) this Addendum has been duly executed and delivered by a duly authorized officer of Lessee.

If Guarantor is not an individual, then Guarantor represents and warrants that: (a) Guarantor has taken all actions required by law, its governing documents or otherwise to authorize the execution, delivery and performance of this Addendum; and (b) this Addendum has been duly executed and delivered by a duly authorized officer of Guarantor.

Lessee and Guarantor have further authorized and taken all actions required by law, their governing documents or otherwise to authorize the execution, delivery and performance of any previous, present, and future amendments and change orders that may occur to be executed by Lessee or its local representatives.

19. MISCELLANEOUS

This Addendum shall be attached to, made a part of and wholly merged into the Lease. The Lease, supplemented by this Addendum, is to remain in full force and effect and is to be deemed superseded by this Addendum to the extent necessary to implement the terms of this Addendum. If there is a conflict between the terms of this Addendum and the Lease, the terms of this Addendum shall control.

Lessee, Guarantor, and Lessor have agreed to the above terms and conditions to the Lease and to this Addendum. No supplement, modification or amendment of the Lease or this Addendum shall be binding unless executed in writing by Lessee and Lessor.

Should any provision(s) in this Addendum be declared void or voidable by a court of competent jurisdiction, the provision(s) shall be considered severed from the Addendum and all remaining provisions shall remain in full force and effect.

No provision of this Addendum will be construed against or interpreted to the disadvantage of any party hereto by any court or other governmental or judicial authority by reason of such party having or being deemed to have structured or drafted such provision.

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This Addendum may be executed and delivered by facsimile or PDF signature and in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

The parties hereto agree that all of the terms of the Lease which are not otherwise amended by this Addendum shall remain in effect.

[SIGNATURES ON THE FOLLOWING PAGE]

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[Signature Page to Addendum No. 1]

Executed by each party to be effective as of the date first above written.

LESSEE:

SERENA & LILY, INC.

By: _____
Name: _____
Title: _____

Witness

GUARANTOR:

By: _____
Name: _____
Title: _____

Witness

LESSOR:

SI VIRGINIA II, LLC

By: _____
Brenda Starwalt
President

Witness

ATTACHED EXHIBITS

Exhibit 1: Lessee Upfit Approval Certification

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