



Industrial Building Program

SOUTHERN
ADVANTAGE

June 23, 2021

Craig Hagglund
SIOR, Principal
Lee & Associates
520 3rd Street, Suite 105
Oakland, CA 94607

ALABAMA

RE: Serena & Lily
SouthPoint Business Park, Prince George, Virginia

GEORGIA

Dear Craig:

Thank you for considering The Hollingsworth Companies for the Serena & Lily Richmond/Norfolk Distribution Facility. The RFP you submitted is completed and attached. We are submitting a 650,250 SF high-volume cross-dock facility with 144 Dock Doors in the Richmond MSA.

NORTH CAROLINA

We see Serena & Lily's business model as a good fit within the SouthPoint Business Park, VA due to excellent freeway access to I-85, I-95, and I-295 and a cost competitive workforce of skilled labor. SouthPoint Business Park is located three miles from I-295, five miles from I-95, and eight miles from I-85. This location serves 55% of the United States population within 2 days by ground shipment.

TENNESSEE

Our industrial facilities are designed to provide flexibility for high growth, manufacturing, and distribution operations with wide 60' x 60' column spacing and a minimum interior clear height of 40'. This wide-open volume allows for a great degree of flexibility for equipment placement and high-density storage rack configurations. This 650,250 SF facility can be expanded an additional 291,600 SF with the timing based on Serena and Lily's business needs.

VIRGINIA

TWO CENTRE PLAZA
CLINTON, TN 37716

865-457-3701 PHONE

865-457-5476 FAX

We strive to maintain, safe, well-kept Business Parks in locations with a skilled, very competitive workforce. The Park is located within 10 miles of the Army Logistics University at Fort Lee and the Defense Supply Center, Richmond. These two organizations provide a large concentration of skilled logistics and transportation professionals available to local businesses upon their separation from service.

the one stop for every industrial need
www.hollingsworthcos.com



The Hollingsworth Companies is 100% focused on Industrial Real Estate development, design, and construction. Our facilities are primarily located in tertiary markets that provide excellent freeway access, strong local community support, and a highly skilled, cost effective workforce. Our industrial real estate of 125 facilities spans 18 states primarily in the Southeast. Our extensive experience in industrial development assures you of the quickest and most dependable construction schedule. The Hollingsworth Companies have been engaged in industrial construction and development for 35 years and have never delivered a project late.

ALABAMA

The SouthPoint Business Park, Virginia was founded in 1997 and stands as a testament to our commitment to the Prince George business community. We deliver our proposals via a web portal. After a short introductory video, the proposal and supporting materials will be available for download and review at the following link:

<https://hollingsworthcos.com/view-proposal/60d2498f46bdf>

GEORGIA

Sincerely,

A handwritten signature in black ink, appearing to read "Tom Mann".

NORTH CAROLINA

Tom Mann
Senior Vice President of Industrial Real Estate

TENNESSEE

Cc: *Joe Hollingsworth CEO*
Tom Wortham Sr. Vice President of Architecture and Business Development

VIRGINIA

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**THE HOLLINGSWORTH COMPANIES RESPONSE
TO THE REQUEST FOR LEASE PROPOSAL**

***SERENA & LILY ACQUISITION OF LEASEHOLD
RICHMOND/NORFOLK DISTRIBUTION FACILITY***

JUNE 11, 2021

Dated: June 23rd, 2021

General Rules & Conditions of Invitees:

Section I. Project, Space & Parking Requirements:

Project: Please provide CAD drawings or any building plans available along with the name of the project.

CAD files have been included in the Dropbox link located in the web portal.

Size: Serena & Lily requires approximately 500,000-700,000SF square feet of class “A” distribution space, including approximately 3,500 square feet of single-story office. The exact area and design of the offices shall be determined by final floor plans. All square foot estimates shall be subject to confirmation by Serena & Lily.

The building, currently under construction, is designed as a 650,250 SF concrete tilt wall with a 40’ clear height and 60’ x 60’ column spacing. The building can be expanded an additional 291,600 SF for a total of 941,850 SF. 3,500 SF of office can be provided with the cost applied against the TI Allowance.

Parking: Serena & Lily is targeting approximately 150 employee vehicle parking spaces and parking for a minimum of 200 trailers. In no event shall the allotted parking be less than that required by local building codes. Please denote the vehicle and trailer parking areas on the site plan. Clearly state the type of ground cover and specifications (asphalt, concrete) used for each area and how the parking is secured or fenced.

The facility is designed with 161 vehicle parking spaces and 200 trailer drops. This design meets local zone requirements. Additional vehicle and trailer parking can be added.

Section II. Proposed Lease Term & Lease Options:

Term: Please provide Serena & Lily with a scenario based on a ten (10) year lease term.

A ten (10) year term is agreed with rent commencement January 1, 2022.

***Occupancy Date/
Lease Commencement:***

Serena & Lily prefers that the lease term commence December 1st, 2021, and the actual possession of the premises be delivered upon mutual execution of a lease document, along with the customary insurance certificate, whereby Serena & Lily would have early occupancy of the premises for fixturing of the facility. If the building is under construction, Serena & Lily asks that Landlord propose a temporary plan that will allow for a phased in occupancy that closely follows the construction process during the pursuit of the Certificate of Occupancy. Landlord would be responsible for the cost and coordination of making the necessary arrangements to allow for Temporary Occupancy such as generators, modular offices, portable restrooms, and other municipal mandates. Serena & Lily requests that during this “early occupancy” period they not be charged rent or operating expenses.

The facility is under construction with a November 15, 2021, scheduled completion date. Early occupancy is available prior to Lease commencement. We propose a “Transition Team” between our construction team and Serena & Lily to determine the most efficient plan for installing fixtures and equipment prior to the lease date.

Substantial Completion: Substantial Completion to determine the Commencement Date shall be defined in the proposed lease document and evidenced by a fully executed card from each of the municipal departments, including but not limited to, planning, building and safety, fire, public works, and all related utility providers necessary to issue a Certificate of Occupancy.

As customary in Prince George County, VA, all final inspections will be documented by inspection card. This documentation will be made available to Serena & Lily.

Option to Renew: Upon expiration of the initial lease term, Serena & Lily shall require two (2) five (5) year option periods at ninety five percent (95%) of the then prevailing fair market rental, but in no event more than the rental rate in effect at the time the option is exercised. Each renewal option must be exercised by Serena & Lily by written notice of exercise to

Landlord not more than twelve (12) or less than six (6) months prior to the expiration of the lease term. Landlord shall provide notice to Serena & Lily of their renewal option approximately eighteen (18) months prior to the expiration of the lease term. From time to time within fifteen (15) days after written request from Serena & Lily, Landlord will advise Serena & Lily in writing of Landlord's determination of the fair market rental.

Landlord agrees to provide three (3) renewal options of five (5) years, each by giving written notice to renew at least six (6) months prior to the expiration of the then current Lease term, continuing with the same terms and conditions as the initial lease.

Section III. Financial Considerations:

Base Rate:

Aggressive economics are extremely important to Serena & Lily and will be a primary issue in selection of a location. Serena & Lily will evaluate all proposals on a net present value basis and has an interest in securing the lowest possible flat rate for the term. If, however, Landlord can be more economically aggressive with a stipulated increasing rental rate, then propose that method which affords Serena & Lily the best economics.

*\$5.23 SF/YR, CPI adjusted annually, minimum 3%
Construction costs have been rising weekly in this uncertain economic environment. The above pricing is firm for a lease signed by both parties no later than July 31st, 2021. Building is subject to availability.*

**Definition of Rate
And CAM Charges:**

Lease Structure: Please describe and define the rate structure Landlord proposes to offer Serena & Lily for the rate quoted (i.e.: industrial gross, modified net, triple net, etc.). Describe and define the services, maintenance costs and fees Landlord proposes to perform or charge Serena & Lily during the term of the lease.

Triple Net. This is a single tenant facility; the landlord agrees there will be no management fees and no common area charges, this will provide the most competitive total operating cost for Serena & Lily. The Landlord will maintain the roof and structure for the life of the lease at no charge to the tenant.

CAM Cap. Serena & Lily requests that any operating expenses relating to common area maintenance (“CAM”) shall be capped at three percent (3%) per annum, non-cumulative, from the first twelve (12) months of the lease term.

A cap is not applicable, there will be no CAM charges and no management charges for this lease.

Proration. Please describe, define, and disclose the denominator used for the calculation of determining Serena & Lily’s pro ration for taxes, insurance, and CAM charges.

A denominator is not applicable. This is a single tenant facility, all taxes and insurance to be paid by the Tenant at cost with no additional mark up by the Landlord.

Expenses. Please disclose the cost or projected cost (for a “stabilized” asset) per square foot for taxes, insurance, and CAM for the proposed property. If the property is under construction, please give estimates of the cost once the building is fully assessed by local tax assessors.

Taxes - \$.35 SF/YR. Estimated.

Insurance - \$.09 SF/YR. Estimated, insurance rates and carrier to be selected and negotiated by Tenant, at Tenant expense.

CAM - none, there will be no common area management fees.

General Maintenance - \$.08 SF/YR Estimated. These costs are controlled by the tenant.

Security Deposit:

Please outline deposit requirements.

Two (2) months’ rent, based on approved financials.

Rent Abatement:

Please propose a market-based amount of Free Rent that will be available with consideration of Tenant’s financial condition and the length of primary lease term being contemplated.

Six-week pre-term occupancy, lease commencement to be January 1, 2022. The landlord will provide the best lease and upfit rate, and no management or common area fees to provide a very competitive overall operating rate for this new facility.

Section IV. Build-Out Specifications & Information:

Tenant

Improvements:

Landlord shall propose a suitable Tenant Improvement Allowance available to Serena & Lily for traditional building upgrades Landlord will be responsible for the implementation and management of the Tenant Improvement construction.

\$750,000 Tenant Improvement Allowance for upfits to be implemented by the Landlord as approved by Tenant, this TI is included in the base rent.

Section V. Building Considerations:

Security:

Please identify the security systems or services performed in and around the building and site area.

Security systems may be implemented by Tenant.

Restoration:

Serena & Lily does not expect to be required to restore the premises to building standard construction or to remove any improvements that were approved by the Landlord and were completed during the initial construction or during Serena & Lily's tenancy.

Agreed, all improvements must be approved in writing by the Landlord, approval will not be unreasonably withheld.

ADA:

Serena & Lily is requesting that Landlord specify plans to comply with ADA. Under no circumstances shall Serena & Lily be responsible for any costs incurred by Landlord to comply with ADA improvements made to the building during the lease rate term that are not specific to Serena & Lily's use.

Agreed, this facility is new and is designed to comply with ADA requirements.

Signage:

Please outline what signage will be made available to Serena & Lily.

Two (2) free standing signs in the front yard and two (2) logo/graphic sign flush to the building façade. All signs must comply with applicable local regulations. Signs are at the Tenant expense.

Roofing & Structure: Throughout the term of the lease, Serena & Lily requires that Landlord shall, at its sole cost and expense, maintain the roof and all structural elements of the improvements unless the damage is a result of Serena & Lily's misuse. Annual inspections and related maintenance shall also be at Landlord's cost and expense, through primary term and subsequent options.

Agreed, at no cost to the Tenant.

Floor Slab: Landlord shall be one hundred percent (100%) responsible for the maintenance and replacement of the floor in the event of deterioration, excluding any damage caused by improper usage by Serena & Lily.

Agreed.

Section VI. Preferred Legal Provisions:

The Following list represents additional legal provisions that Serena & Lily will require to be included in the lease document.

Building & Mechanical Conditions:

Landlord shall warrant as of the lease commencement date that: (i) all building systems are in excellent working order and of sufficient capacity to service the building, including the premises, for their intended use; (ii) it is not aware of any structural or major repairs required to be effected to the building, including the premises and the parking areas; and (iii) it has not received any notice of non-compliance with laws, in respect of the building which has not been remedied; and (iv) the building complies with all applicable laws.

Agreed; as a new facility, there will be a one (1) year limited manufacturer's warranty on all systems and components.

Landlord Services:

Landlord shall maintain the building and the land in a first-class condition, in a good state of repair, and in compliance with applicable laws, regulations, ordinances and codes.

This is a single tenant, Triple Net lease. All maintenance except the roof and structure shall be the responsibility of the Tenant. Selection of licensed contractors and negotiation of prices for general maintenance shall be within the control of the Tenant.

Where Landlord has right to perform any work related to the premises, or where Landlord directs the use of specified contractors, the costs of any such contractors shall be competitive and if Landlord supervises such work, Serena & Lily shall pay only Landlord's actual direct costs (without mark-up).

Agreed if it is the Landlords responsibility, however, if the Landlord is required to perform work on the premises due to a breach of the Lease by the Tenant, Landlord will charge an additional 50% mark-up to defray Landlords overhead.

Leasehold Improvements:

Serena & Lily may make alterations and changes in the premises, but Serena & Lily shall obtain Landlord's prior written approval for alterations affecting the mechanical systems, floor, roof, or other structural components of the premises.

Landlord must give written approval for all alterations above \$5000 and all alterations affecting mechanical systems, floor, and roof; such approval will not be unreasonably withheld or delayed.

Serena & Lily may, but shall not be required to, remove any leasehold improvements. Serena & Lily shall have the right to remove fixtures at the expiration of the lease.

Agreed, except Serena & Lily shall not remove any upfits performed as part of the Lease.

Any contractors'/suppliers' warranties applying to work performed by Landlord on behalf of Serena & Lily shall be assigned to Serena & Lily.

Agreed.

Assignment & Subletting:

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

Agreed.

Serena & Lily may vacate the premises at any time provided it continues to pay rent and meet its other financial obligations under the lease.

Unfortunately, this cannot be accepted, vacating the premises will trigger a default with our lenders.

Penalties for Delay:

In the event of delays in completion of construction past the agreed upon Occupancy Date, Landlord shall be required to provide Tenant with a penalty of day-to-day rental offset for the new facility, and any rent being paid on an existing building as holdover.

The Landlord will offer a \$10,000, per calendar day penalty, for delay beyond the agreed Occupancy Date. This will be paid directly to the tenant, not offset from the rent.

Non-Disturbance:

If a mortgage presently exists, Landlord shall use its best efforts to obtain a Non-Disturbance Agreement from the building's mortgagee. If there is no mortgage, Serena & Lily's obligation to subordinate its interest to any future mortgagee is contingent upon the mortgagee agreeing not to disturb Serena & Lily.

Agreed.

Tenant's Bank Forms:

Tenant will require Landlord to agree to Tenant's bank's standard and reasonable Landlord Waiver and Consent form.

Agreed.

Government Compliance:

Landlord shall comply with all laws, regulations, and ordinances in respect of the operation, maintenance and condition of the building and land during the lease term.

Landlord shall deliver the building in compliance with all applicable codes and ordinances. Tenant is responsible with respect to the operation and general maintenance of the building.

Americans with Disabilities Act (ADA) – Serena & Lily's only obligation with respect to ADA compliance is that it shall cause all alterations and improvements to the premises constructed by or at the request of Serena & Lily to be compliance with ADA.

Agreed.

Holdover:

Unless prior to the expiration of the term Landlord has executed a lease with a new tenant for the premises, Serena & Lily shall have the right to holdover for up to two (2) consecutive one-month periods following lease expiration, on the same terms and conditions as provided in the lease. Thereafter, Serena & Lily shall pay 150% of the scheduled Base Rent.

Agreed, with a maximum holdover of six (6) months, with a 90-day notice required.

Environmental Condition:

Landlord shall be responsible, at its expense, for the cost of clean up or any other remedial measures for any contamination to the land or building existing prior to the commencement of the lease. Landlord warrants it is not aware of any contamination.

Agreed, the Landlord shall provide a Phase I Environmental Survey of the property upon the completion of construction. Landlord will also indemnify the Tenant from the cost of environmental mitigation if an issue exists before the commencement of the lease.

***Exercise of Rights
By Landlord:***

Landlord shall act in a reasonable and prudent manner in exercising all rights and so as not to interfere more than is reasonably necessary under the circumstances with Serena & Lily's use and enjoyment of the premises.

Agreed.

Consents and Approvals:

Any consent, permission or approval of Landlord required under the lease shall not be unreasonably withheld or delayed.

Agreed. Likewise, Tenant shall provide the Landlord with timely approval of upfits plans so as not to delay delivery of the facility.

Brokers:

Serena & Lily will require Landlord to acknowledge that Lee & Associates Oakland Commercial Real Estate Services Inc. is the agent for Serena & Lily and that the Landlord will be responsible for payment of a commission in accordance with a separate written agreement.

Agreed.

Section VII. Essential Facts Regarding the Proposed Property:

Please identify in your proposal the following items about the property that you are proposing:

- The Owner/Landlord for the proposed building, including the operator and capital partner.
SI Virginia II, LLC or its successors or its assigns.
- The Lender(s) on the building
Southeast Bank, Knoxville TN
- The property management firm managing the building (identify if they are or are not on site)
Not applicable, Tenant to manage maintenance except the Roof, Floor, and Structure.
- The space planning/architectural firm utilized for space design.
The Hollingsworth Companies In-house Architect and engineers of record Hodge Engineering Company.
- The general contractors used for the shell and core construction.
Concept Developments, Inc, an affiliate of The Hollingsworth Companies.
- The year the building was built, or in the case of the building under construction or about to break ground, give the date when the building's shell is ready for tenant work.
November 1, 2021, the shell building will be ready for tenant installation of fittings and fixtures.
- An Outline of Specifications describing the building design criteria for construction.
*650,250 SF, tilt wall, pre-engineered steel rigid frame facility on 64.50 acres
60' x 60' bay spacing, minimum 40' clear height
6" thick, reinforced, 4000 psi walls
6" thick, 4000 psi, Helix micro-rebar reinforced floor
24 Gauge, standing seam, Galvalume roof
ESFR, 100% wet fire suppression system
2000 Amp 277/480-volt electrical service and LED warehouse lighting
144 – 9' x 10' dock high doors and two 14' x 14' drive in doors
200 – trailer drops; 161 vehicle parking spaces*
- Identify the utility providers including water, trash, electric and data.
*Water – Prince George Utilities
Gas – Columbia Gas of VA
Trash – County Waste, Dominion Waste
Electric – Prince George Electrical Coop
Data - Mid-Atlantic Broadband, Verizon, and Comcast*

- Adjacent tenant if any
This is a single tenant facility, there are no adjacent tenants.
- Identify the parking availability to the building:
Total Number of Passenger Vehicle Spaces - *The facility is currently designed with 161 vehicle parking spaces. Additional vehicle parking can be added.*
Total Number of Tractor Trailer Spaces - *The facility is currently designed with 200 trailer drops. Additional trailer parking can be added.*
- Identify the security system in the building.
A security system is not installed at this time. The tenant may add a security system to meet their requirements.

Response Date: Please respond to this request for proposal not later than Wednesday, June 28th, 2021.

No Obligation: Serena & Lily with Lee & Associates – Industry, Inc. will simultaneously solicit other proposals in the general area of the space requirement. Serena & Lily will give full consideration to any written proposal you make pursuant to this request for proposal; however, Serena & Lily also reserves the right to accept any offer, refuse all offers, or to submit a counteroffer to any proposal without further notice to you or any other potential Landlord. Serena & Lily will only be bound by a written lease agreement that is properly executed by both Serena & Lily and Landlord. No proposal, counter proposal, letter, or oral statement will be construed as a binding lease agreement or as a contract to enter into a lease agreement; all such correspondence is considered to be an exploration by both parties to determine if the basis for such an agreement exists between Serena & Lily and Landlord.

*Only a fully executed and delivered Lease contract shall bind any party to perform as agreed therein. All offers stated herein are subject to the assumed bankable credit of the tenant entity. All offers are only valid until July 31, 2021, after that date this proposal is automatically withdrawn. **Building is subject to availability.***

Sincerely,



Tom Mann
Senior Vice President of Industrial Real Estate

Cc: Joe Hollingsworth CEO
Tom Wortham Sr. Vice President of Architecture and Business Development