

DRAFT 6/29/15
Subject to the Review and Comments of the
Spotsylvania Economic Development Authority, Spotsylvania County, Virginia
and their Consultants/Counsel

MEMORANDUM OF UNDERSTANDING

June ____, 2015

Hagerstown Baseball, LLC
13479 Polo Trace Drive
Delray Beach, Florida 33446
Attention: Bruce Quinn

Re: Proposed Development of a Class A, Multi-Purpose Minor League Baseball Stadium in Spotsylvania County, Virginia

Ladies and Gentlemen:

This memorandum of understanding (this “**Memorandum**”), when executed by Spotsylvania County, Virginia (the “**County**”), Spotsylvania County Economic Development Authority (the “**Authority**”) and Hagerstown Baseball, LLC (the “**Tenant**,” the County, Authority and the Tenant each being a “**Party**” and collectively the “**Parties**”), will evidence (i) the binding agreements of the Parties, as set forth in Article 2 of this Memorandum, with respect to certain matters and (ii) the mutual intention of the Parties, as set forth in Article 1 of this Memorandum, in each case with respect to the following described proposed transactions (the “**Proposed Transactions**”):

1. The Authority will design, develop, construct and furnish a first-class, Class A standard, multi-purpose minor league baseball stadium holding at least 5,000 occupants for minor league baseball games with on-site surface parking for at least 300 vehicles (the “**Stadium**”) on land containing approximately [____ (____)] acres and being in a location mutually acceptable to the County, the Authority and the Tenant (“**Stadium Site**”) pursuant to the terms of a Development Agreement between the Authority and the Tenant (the “**Development Agreement**”) and in accordance with the Project Design/Development Specifications (as defined in the Term Sheet for the Development Agreement attached to this Memorandum as Exhibit A). The Stadium will be designed to meet the requirements established by Minor League Baseball, Inc. (formerly known as the National Association of Professional Baseball Leagues, Inc.) for Class A stadiums. In addition to the Stadium, the Authority will design, develop and construct, or cause to be designed, developed and constructed, parking areas in reasonable proximity to the

Stadium (as reasonably acceptable to the Authority and the Tenant) to accommodate parking for approximately 1,200 vehicles, which parking will meet or exceed the applicable parking requirements for a Class A stadium (the “**Parking Areas**”, and together with the Stadium and the Stadium Site collectively, the “**Project**”);

2. Pursuant to the terms of a lease agreement (“**Lease**”), the Authority will lease the Stadium and the Stadium Site to the Tenant, and the Authority will grant the Tenant a related license over the Parking Areas for ingress and egress to the Stadium and for patron parking on days the Tenant has scheduled events at the Stadium;
3. The Tenant will operate and maintain the Stadium and the Stadium Site as a first-class facility in a manner comparable to the operation and maintenance of Comparable Properties (as defined in Annex 1 to this Memorandum);
4. The Tenant will own a Class A minor league baseball team (the “**Team**”) which is a member of the South Atlantic League of Minor League Baseball (the “**League**”) and the Class A affiliate of the Major League Baseball Washington Nationals, and have the Team play all of its home preseason, regular season and playoff games at the Stadium beginning upon completion of the Project and for no fewer than thirty (30) full minor league baseball seasons;
5. The Authority will issue approximately \$25 million in bonds secured by (i) a pledge of the rent and other revenues to be received by the Authority from the Project and (ii) a pledge of the moral obligation of the County, with the net proceeds of the bonds to be used to fund the design, development, construction and furnishing of the Project (the “**Bond Financing**”);
6. The Tenant will contribute to the Authority approximately \$8 million in cash to be used by the Authority to fund the design, development, construction and furnishing of the Project (the “**Tenant Investment**”); and
7. An entity or entities acceptable to the County and the Authority (the “**Guarantor**”) will unconditionally and irrevocably guaranty, or provide other comparable assurances related to, the payment and performance of (i) all of the obligations of the Tenant under the Development Agreement and (ii) all of the obligations of the Tenant under the Lease, all pursuant to a Guaranty Agreement executed by the Guarantor for the benefit of the County and the Authority (the “**Guaranty**”).

The matters set forth in Article 1 of this Memorandum constitute an expression of the Parties’ mutual intention only and do not constitute a binding agreement among the Parties with respect to the Proposed Transactions or otherwise. Any such binding agreement may arise only as a result of (i) the negotiation, execution and delivery of the Development Agreement, the Lease, the Guaranty and such other written agreements as the parties thereto may mutually agree upon in connection therewith (collectively, the “**Definitive Agreements**”) and (ii) the satisfaction of the Conditions to Closing set forth in Section 1.2 of this Memorandum. The Definitive Agreements must be satisfactory to the Parties thereto in all respects in their sole discretion.

The matters set forth in Article 2 of this Memorandum, however, constitute binding agreements among the Parties.

ARTICLE 1
PROPOSED TRANSACTION

Section 1.1 Term Sheets. It is the intention of the Parties that the Proposed Transactions will be entered into on the terms and conditions set forth in the Definitive Agreements to be negotiated between the Parties and that the Development Agreement and the Lease will contain the terms and conditions set forth in the Term Sheets attached to this Memorandum as Exhibits A and B respectively (collectively, Exhibits A and B are the “**Term Sheets**”). To the extent there is a conflict between this Memorandum and the Term Sheets, this Memorandum shall control.

Section 1.2 Closing Deadline and Conditions Precedent. The Parties intend to complete negotiating the Proposed Transaction and enter into the Definitive Agreements by no later than ninety (90) days after the date of this Memorandum (the “**Closing Deadline**”), provided the following described conditions precedent are satisfied by the dates set forth below (collectively, the “**Conditions to Closing**”):

- (a) On or before sixty (60) days after the date of this Memorandum (the “**Interim Deadline**”), the Parties shall have agreed upon the location of the Stadium Site and the Parking Areas and shall have agreed upon a general site plan for the Stadium Site and the Parking Areas;
- (b) On or before the Interim Deadline, the Parties shall have agreed upon the amount of costs to be incurred to design, develop, construct, furnish and open the Project (that is, the Stadium and the Parking Areas) (the “**Project Budget**”), which Project Budget is currently anticipated to be \$33 million;
- (c) On or before the Interim Deadline, the Parties shall have performed the due diligence necessary to mutually determine that the Proposed Transactions remain economically feasible for each Party.
- (d) On or before the Interim Deadline, the Tenant shall have provided the Authority and the County with evidence reasonably acceptable to the County and the Authority that the Tenant can contribute cash proceeds in an amount equal to the Tenant Investment to be applied pursuant to the terms of the Development Agreement to the costs to design, develop, construct, furnish and open the Project as set forth in the Project Budget; and
- (e) On or before the Closing Deadline, the Definitive Agreements shall have been approved and executed by the appropriate Parties.

In the event that any of the above Conditions to Closing are not satisfied by the dates set forth above, the Parties intend to abandon the Proposed Transactions (and any one of the Parties may terminate this Memorandum) unless the Closing Deadline or such other appropriate date(s) are extended in writing by each of the Parties hereto, in their respective sole and absolute discretion.

ARTICLE 2
BINDING AGREEMENTS

Section 2.1 Exclusive and Marketing Office. Until the Closing Deadline (as such may be extended by the mutual agreement of the Parties) or any earlier termination of this Memorandum as permitted herein, neither the County nor the Authority shall solicit or entertain any proposal from any person or entity (other than the Tenant and its affiliates, officers, employees, directors, agents, advisors and representatives while such are working with the Tenant) concerning the lease, construction, development, operation or use of a minor league baseball stadium comparable to the Project. In addition, until the Closing Deadline (as such may be extended by the mutual agreement of the Parties) or any earlier termination of this Memorandum as permitted herein, neither the Tenant nor any affiliate, officer, employee, director, agent, advisor or representative while such are working with the Tenant shall submit to, entertain any proposal from or respond to any requests or inquiries from any other person or entity (other than the County or the Authority) concerning (i) the lease, construction, development, operation or use of a minor league baseball stadium comparable to the Project, (ii) the relocation of any minor league baseball team away from its current home venue other than to the Project or (iii) the establishment of a new minor league baseball team with a home venue other than the Project. The Tenant hereby agrees to establish a marketing and sales office and effort in the County to market the suites, tickets and naming rights and other advertising and sponsorship opportunities at the Stadium to businesses and individuals in the County and the surrounding areas.

Section 2.2 Fees and Expenses. Each Party shall bear and pay all costs and expenses (including, but not limited to, all fees and expenses of consultants, legal advisors, brokers and investment bankers) incurred by it in connection with the Proposed Transactions contemplated by this Memorandum regardless of whether the Definitive Agreements are executed or the Proposed Transactions are consummated.

Section 2.3 Termination. This Memorandum shall terminate in its entirety without any further notice being necessary on the earlier to occur of (i) the failure to satisfy any of the Conditions to Closing set forth in Section 1.2 above on or before the applicable dates set forth therein (as such may be extended pursuant to the terms hereof), including the occurrence of the Closing Deadline (as may be extended pursuant to the terms hereof) without all conditions thereto having been satisfied and (ii) the date on which all of the Definitive Agreements are executed by all parties thereto and the Conditions to Closing are satisfied; provided, however, that such termination shall not impair or otherwise affect the rights or remedies of the parties for any prior breach of any obligation set forth in this Article 2.

Section 2.4 Representation and Warranties. The Parties hereby represent and warrant to each other, but only as to itself, that this Memorandum: (i) has been validly executed and delivered, (ii) has been duly authorized by all corporate, company, partnership or other applicable action, as applicable, necessary for the authorization thereof and (iii) with respect to the matters set forth in this Article 2 only, constitutes a valid and binding agreement of such Party, enforceable in accordance with its terms.

Section 2.5 Complete Agreement. This Memorandum constitutes the entire agreement of the Parties relating to the transactions contemplated by this Memorandum and supersedes all prior contracts, agreements or understandings with respect to those matters, whether oral or written.

Section 2.6 Assignment and Third Party Beneficiaries. No Party shall directly or indirectly assign, transfer, hypothecate, pledge or otherwise encumber, whether by operation of law or otherwise, all or any part of this Memorandum or any of its rights, interests or obligations hereunder (collectively, a "**Memorandum Transfer**"), without first obtaining the prior written consent of all other Parties, which consent shall be within such Party's sole discretion. Any attempted Memorandum Transfer without such prior written consent shall be void and shall confer no rights upon any third parties. In the event the Conditions to Closing are timely satisfied and the Parties enter into the Definitive Agreements on or before the Closing Deadline, this Memorandum shall automatically terminate as provided in Section 2.3 hereof and the terms of the Definitive Agreements, and not this Section 2.6, shall govern any direct or indirect assignment, transfer, hypothecation, pledge or other encumbrance of any of the Parties' rights, interests or obligations under the Definitive Agreements. There are no third party beneficiaries to this Memorandum, and the provisions of this Memorandum shall not impart rights enforceable by any Person other than the Parties.

Section 2.7 Notices. All notices, requests or consents provided for or permitted to be given under this Memorandum shall be given in writing and are effective on actual receipt by the intended recipient or by delivery to the address or facsimile number for the recipients listed below:

If to the County, to: Spotsylvania County, Virginia
 9105 Courthouse Road
 Spotsylvania, Virginia 22553
 Attention: _____
 _____ (Fax)

If to the Authority, to: _____

 Attention: _____
 _____ (Fax)

With a copy to: Mark B. Arnold
 Andrews Kurth LLP
 JPMorgan Chase Tower
 600 Travis, Suite 4200
 Houston, Texas 77002
 (713) 238-7295 (Fax)

If to the Tenant, to: Hagerstown Baseball, LLC
13479 Polo Trace Drive
Delray Beach, Florida 33446
Attention: Bruce Quinn
_____ (Fax)

With a copy to: _____

Attention: _____
_____ (Fax)

or to such other address or to the attention of such other person as hereafter shall be designated in writing by the applicable party sent in accordance herewith.

Section 2.8 Governing Law, Service of Process and Submission to Jurisdiction.

This Memorandum and the rights and duties of the Parties arising out of this Memorandum shall be governed by and construed and enforced in accordance with the laws of the State of Virginia, except provisions of those laws referring governance or construction to the laws of another jurisdiction. Any action between the Parties arising out of this Memorandum may be brought, if at all, only in the courts of the State of Virginia for Spotsylvania County, and not in any other court or tribunal. Each Party submits itself to the personal jurisdiction of the courts of the State of Virginia for Spotsylvania County and appoints the Secretary of State of Virginia as its agent for service of process in any action brought in those courts if at any relevant time it is not otherwise subject to service of process or does not have an agent on whom process may be served, in that action.

Section 2.9 Community Benefit.

The Tenant acknowledges that the County and the Authority are entering into this Memorandum, and will enter into the Definitive Agreements, so that the Project may serve the purpose of promoting economic development, employment opportunity, educational opportunity, and the general welfare and prosperity of the citizens of Spotsylvania County and the surrounding areas. The Tenant agrees to use commercially reasonable efforts to cooperate with the County and the Authority in that respect and will work with the County and the Authority to maximize the use of the Project to accomplish those purposes.

Section 2.10 Non-Binding Obligation.

Except as to the provisions of this Article 2, the Parties understand and agree that (i) this Memorandum and the Term Sheets attached hereto only set forth the Parties current understanding of agreements which may be set out in a binding fashion in the Definitive Agreements executed at a later date and (ii) this Memorandum and the Term Sheets do not create and are not intended to create a binding and enforceable contract between the Parties, except that, as provided above, the terms of this Article 2 are binding on the Parties, or a duty on the part of any Party to negotiate in good faith toward a binding contract, and may not be relied upon by any Party as the basis for a contract by estoppel or otherwise, but rather evidences a non-binding agreement to endeavor, without obligation, to negotiate mutually agreeable Definitive Agreements. The negotiation of the Definitive Agreements shall not be considered evidence of the formation of a contract by estoppel or otherwise, and no agreement

shall be deemed to exist with respect to the Proposed Transactions unless and until the Parties and the Tenant execute and deliver the Definitive Agreements and such Definitive Agreements become effective in accordance with their terms. No Party shall be entitled to bring any claim or action against any other Party as a result of a failure to agree on or enter into the Definitive Agreements.

Section 2.11 Counterparts. This Memorandum may be executed in multiple counterparts each of which shall constitute an original agreement as to the party signing same, but all of which shall constitute a single agreement. This Memorandum may be executed by facsimile transmission in PDF.

THE COUNTY:

SPOTSYLVANIA COUNTY, VIRGINIA

By: _____
Name: _____
Title: _____

THE AUTHORITY:

**SPOTSYLVANIA COUNTY ECONOMIC
DEVELOPMENT AUTHORITY**

By: _____

Name: _____

Title: _____

THE TENANT:

HAGERSTOWN BASEBALL, LLC

By: _____
Name: _____
Title: _____

EXHIBIT A

Term Sheet for Proposed Development Agreement

This Term Sheet is attached to a Memorandum of Understanding dated June __, 2015 and is not to be considered separately from the Memorandum of Understanding. This Term Sheet does not define all of the terms and conditions of the proposed Development Agreement but is a framework upon which the Development Agreement may be structured, and is a basis for further discussion and negotiation of the terms as may be appropriate. The Proposed Transactions shall be subject to the execution and delivery of documentation satisfactory in form and substance to the Parties, and their respective counsel. Capitalized terms used in this Term Sheet and not defined herein shall have the meaning given to such terms elsewhere in this Memorandum of Understanding.

1. **Parties.** The Authority and the Tenant shall be the parties.

2. **Scope of Development.**

2.1 General. The Authority shall promptly commence construction of the Project on a date within two (2) months after the date on which the Post-Closing Conditions (as defined in Annex 1 to this Memorandum) have been satisfied, and the Authority shall thereafter diligently and continuously prosecute the construction and completion of the Project, subject to force majeure. The Authority shall use good faith, commercially reasonable efforts to cause the Project to be completed on or before _____ (with the date that such completion occurs being, the "**Project Completion Date**"). In the event the Post-Closing Conditions are not satisfied by the dates set forth for such to be satisfied, either Party may terminate the Definitive Documents, unless the dates are extended in writing by the mutual agreement of the Parties.

2.2 Project Design/Development Specifications. The construction of the Project shall include, at a minimum, the following (the "**Project Design/Development Specifications**"):

(a) A first-class, Class A standard, multi-purpose minor league baseball stadium holding at least 5,000 occupants for minor league baseball games with at least 300 on-site parking spaces;

(b) At least _____ (__) luxury suites accommodating at least ___ persons per suite and _____ (__) larger party suites accommodating ___ persons in the aggregate;

(c) A minimum of _____ premium or Tenant seats;

(d) Terraced picnic areas with _____ (__) chairs with built-in counters;

(e) A _____ seat lawn area;

(f) Combination splash pad/ice rink;

(g) Numerous concession stands;

- (h) A number of marquees, scoreboards, video boards and electronic signage, equipped with the latest technology;
- (i) A full service pro-shop and gift center equipped to carry the latest novelty items and licensed merchandise;
- (j) Corporate offices for the Tenant, lockers rooms for the home and visiting teams, training rooms and a fitness room;
- (k) Storage space;
- (l) A visitor kiosk or promotional area in the Stadium to be used by the Authority and/or the County to promote the County;
- (m) Parking areas in reasonable proximity to the Stadium (as reasonably acceptable to the Authority and the Tenant) to accommodate parking for approximately 1,200 vehicles, which parking will meet or exceed the applicable parking requirements for a Class A stadium; and
- (n) Infrastructure necessary to support the Project, including streets, sidewalks, parking, landscaping and lighting.

2.3 Approval of Schematics, Plans and Drawings. The Authority, the County and the Tenant shall review and approve, such approval not to be unreasonably withheld, the schematics (concept drawings, schematic drawings and preliminary elevations showing all improvements and buildings and the uses thereof), design/development drawings (design development plans and drawings and final elevations) and the construction plans (detailed working construction drawings) related to the Project. The Authority shall be required to obtain the approval of the County and the Tenant to any material change to the schematics, the design/development drawings or the construction plans previously approved by the Parties, such approval not to be unreasonably withheld.

3. Special Construction Covenants.

3.1 Architect; Contractor. The Parties shall mutually agree upon the person or entity to provide architectural services for the Project. In addition, the Parties shall mutually agree upon the person or entity to be the construction contractor for the Project.

3.2 Form of Contracts. The architect's agreement(s) to be executed by the Authority with respect to the design and engineering of the Project shall be in a form reasonably acceptable to the Tenant. The construction contract to be executed by the Authority with respect to the construction of the Project shall be in a form reasonably acceptable to the Tenant.

3.3 Distribution of Funds; Project Savings; Cost Overruns.

3.3.1 Distribution of Funds. The Tenant Investment and the proceeds of the Bond Financing shall be distributed in accordance with the terms of the Project Budget, with 75

percent (75%) of each draw coming from the Bond Financing and 25 percent (25%) of each draw coming from the Tenant Investment.

3.3.2 Project Savings. The Authority shall be entitled to all Project Savings. The term “**Project Savings**” means and refers to the amount by which the total costs and expenses required to be paid for the design, development, construction and furnishing of the Project included in the Project Budget is less than the Project Budget.

3.3.3 Cost Overruns. The Authority shall be responsible for the payment of 75 percent (75%) of any Cost Overruns and the Tenant shall be responsible for the payment of 25 percent (25%) of any Cost Overruns. The Authority shall have the ability to minimize Cost Overruns by modifying the construction plans for the Project so long as the Project continues to conform to the Project Design/Development Specifications. It is not the intent of the Parties that the quality and amenities of the Project be compromised, nor is it the intent of the Parties that either Party be in a position to pay for any Cost Overruns. The term “**Cost Overruns**” shall mean the amount by which the total costs and expenses required to be paid for the design, development, construction and furnishing of the Project included in the Project Budget exceeds the Project Budget; provided, however, that, Cost Overruns shall not include any excess costs and expenses to the extent such excess arises out of or is attributable to any change orders expressly requested by either Party to add or modify the scope of the Project, with the costs and expenses related to such change orders to be paid by the Party requesting the change order (upon approval of the change order as required by the terms of the Development Agreement).

3.3.4 Intent of the Parties. It is the intent of the Parties to keep each other fully informed as part of a collaborative process for the management of all costs covered by the Project Budget and the design, development, construction and furnishing of the Project. The Parties agree that each Party will have full access to the Project’s architect, contractor, all subcontractors and all other consultants retained in connection with the design, development, construction and furnishing of the Project; provided, however, the Authority is the Party responsible for the construction of the Project and in discharging such obligation, the Authority will direct the Project’s architect, contractor, subcontractors and other consultants in the development, construction, design and furnishing of the Project.

4. Defaults. In addition to the usual and customary listing of events of default and remedies and provisions for notice of default and an opportunity to cure, the Development Agreement will provide that any default by the Tenant or the Authority under the Lease will be a default under the Development Agreement.

5. Assignment. The Development Agreement will contain restrictions on assignment substantially similar to those set forth in the Lease.

6. Exercise of Powers. The Development Agreement will contain an acknowledgment by the Tenant that the County and the Authority, as applicable, exercise certain police powers, taxation powers and other governmental functions which may affect the Project and that the Development Agreement shall not in any way affect the exercise of such powers, duties and functions.

7. **Other Development Agreement Provisions.** The Development Agreement will contain certain other provisions to be mutually agreed upon by the Authority and the Tenant that are customary for agreements of the type represented by the Development Agreement.

EXHIBIT B

Term Sheet for Proposed Lease

This Term Sheet is attached to a Memorandum of Understanding dated June ___, 2015, and is not to be considered separately from the Memorandum of Understanding. This Term Sheet does not define all of the terms and conditions of the proposed Lease but is a framework upon which the Lease may be structured, and is a basis for further discussion and negotiation of the terms as may be appropriate. The Proposed Transactions shall be subject to the execution and delivery of documentation satisfactory in form and substance to the Parties and their respective counsel. Capitalized terms used in this Term Sheet and not defined herein shall have the meaning given to such terms elsewhere in this Memorandum of Understanding.

1. **Parties.** The Authority shall be the landlord and the Tenant shall be the tenant.
2. **Leased Premises and Term.** The Authority will lease the Stadium and the Stadium Site (collectively, the "**Leased Premises**") to the Tenant for a term commencing on the Lease Term Commencement Date (as defined below) and expiring on the date which is thirty (30) years thereafter; provided, however, such expiration date shall be extended to the next occurring December 31st following such 30-year anniversary if the baseball season (including any post-season) for the Team has not ended on such 30-year anniversary and the Team is in fact playing its home games in the Stadium during that season (the "**Lease Term**"). The Authority shall also grant a license to the Tenant over the Parking Areas so that the Tenant, its patrons, employees and invitees can have ingress and egress to the Stadium and parking rights in the Parking Area during events at the Stadium. The Tenant may not charge its patrons, employees or invitees for parking in the Parking Area, but the Authority may charge, or allow others to charge, for parking in the Parking Areas during events at the Stadium.

The Parties intend for the Tenant to have the right to renew the Lease Term for one (1) additional term of ten (10) years on terms mutually acceptable to the Parties and to be set out in the Lease.

3. **Delivery of Possession; Conditions to Commencement.** The Tenant shall not be entitled to possession of the Leased Premises until the Project Completion Date (as defined in the Term Sheet for Development Agreement attached to this Memorandum as Exhibit A) (the "**Lease Term Commencement Date**").

4. **Rental Generally.**

- 4.1 **Rentals During Construction of the Project.** The Tenant shall not be obligated to pay any rent for periods prior to the Project Completion Date.

- 4.2 **Rentals During Operation of the Project.** In order to generate revenue to assist the Authority in supporting future economic development and growth in the County, the Tenant shall be obligated to pay rent and share revenue from its operations at the Stadium as described below.

- 4.2.1 **Base Rental.** The Tenant shall pay the Authority in equal monthly installments a base rental for each year, beginning on the Lease Term Commencement Date, of

\$250,000 annually, which base rental shall escalate by the increase in the Consumer Price Index every five (5) years during the Lease Term.

4.2.2 Revenue Sharing. For each lease year from and after the Lease Term Commencement Date, the Tenant shall pay the Authority annually (in addition to the base rental) participation rental equal to _____ percent (___%) of all gross revenues actually received by the Tenant from ticket sales, suite license sales, naming rights payments, advertising revenue, sponsorship revenue, concession revenue and all other revenues from the use or operation of the Stadium and the Stadium Site in excess of an aggregate base of \$_____ per year (with the Parties to mutually determine how to fairly and equitably treat a lump sum payment received in one year, but intended to cover the duration of a particular contract).

4.3 Rent Generally. The Lease will be a triple net lease, and the Authority will not be obligated to pay any taxes of any kind or any costs or expenses of operation, repair or maintenance of the Leased Premises other than as specifically set forth in the Lease.

4.4 Statements. Commencing with the first (1st) lease year after the Lease Term Commencement Date, the Tenant shall (i) provide the Authority with quarterly unaudited statements of ticket sales, suite license sales, naming rights payments, advertising revenue, sponsorship revenue, concession revenue and all other revenue from the use and operation of the Stadium and the Stadium Site, certified by the comptroller or other appropriate financial officer of the Tenant to be true, correct, accurate and complete, (ii) provide the Authority with an annual statement of ticket sales, suite license sales, naming rights payments, advertising revenue, sponsorship revenue, concession revenue and all other revenue from the use and operation of the Stadium and the Stadium Site, and a calculation of participation rental prepared by the Tenant and reviewed by a nationally recognized independent public accounting firm or other accounting firm approved by the Authority and (iii) keep, or cause to be kept, full, complete and proper books, records and accounts of ticket sales, suite license sales, naming rights payments, advertising revenue, sponsorship revenue, concession revenue and all other revenue of the Tenant from the use and operation of the Stadium and the Stadium Site, by lease year, on an accrual basis in accordance with generally accepted accounting principles applied on a consistent basis, with such books, records and accounts to be kept for a period of not less than five (5) years after the Authority receives the annual statement described in (ii) above and reasonably available to the Authority for inspection and review on a quarterly basis.

5. Permitted Uses; Continuous Operation; Operator Requirements; Concessions.

5.1 Permitted and Prohibited Uses. During the Lease Term, the Leased Premises shall be used and occupied solely as a first-class, Class A standard, multi-purpose minor league baseball stadium consistent with the uses of Comparable Properties (as defined in Annex 1 to this Memorandum) (the "**Permitted Use**"). No portion of the Leased Premises will be used for any other purposes and the Lease will specify certain other prohibited uses.

5.2 Continuous Operation; Maintenance and Repair. During the Lease Term, the Tenant will (i) operate the Leased Premises diligently and continuously in accordance with the Permitted Use and the Operating Standard (as defined below), (ii) keep and maintain the Leased Premises, and all personalty therein useful and/or necessary to its operation, in first-class repair,

order and condition (determined at any point in time by reference to improvements of similar type of construction, use and age that have been maintained in first-class condition and which are Comparable Properties, ordinary and reasonable wear and tear and damage by casualty and condemnation excepted and (iii) possess all personalty necessary for the operation of the Project in accordance with the Operating Standard. The Lease shall permit the Tenant to interrupt operation of the Leased Premises for down times of limited duration and area to conduct renovations, maintenance and repairs and for events of force majeure as more specifically provided in the Lease; provided, however, that the Tenant shall use best efforts to minimize interruptions in operations consistent with the sound operation procedures employed at Comparable Properties.

5.2.1 Operating Standard. The “**Operating Standard**” means the continuous operation and maintenance of the Leased Premises on a full-service basis in a first-class manner consistent with the standards of operations, maintenance and operating and maintenance plans that a reasonable and prudent operator would reasonably be expected to undertake and follow for the operation and maintenance of a Comparable Property.

5.2.2 Capital Repairs. During the Lease Term, the Tenant will make all alterations, repairs, refurbishments, renovations and replacements to the Leased Premises and all equipment, facilities and structures therein so that the Leased Premises at all times remains in first-class repair, order and condition (determined at any point in time by reference to improvements of similar type of condition, use and age that have been maintained in first-class condition and which are Comparable Properties, including those which constitute capital improvements; provided, however, as to capital improvements made in the last five (5) years of the Lease Term, the cost of such capital improvements shall be prorated based upon the useful life of the particular improvement using straight-line depreciation, with the balance of the cost of such improvement being the responsibility of the Authority.

5.2.3 Capital Repair Fund. The Tenant shall annually, beginning on the Lease Term Commencement Date, contribute funds in the amount of \$_____ (to be increased every five (5) years based on the increase in the Consumer Price Index) into a segregated and dedicated capital repair fund for the payment of costs related to capital repairs at the Leased Premises (the “**Capital Fund**”). The Tenant may withdraw funds from the Capital Fund only to pay for costs incurred in connection with the Tenant’s making capital repairs at the Leased Premises and only with the approval of the Authority, subject to certain to-be-agreed upon exceptions. The Tenant’s financial responsibility with respect to capital repairs shall not be limited to the amount of funds on deposit in the Capital Fund. Any funds remaining in the Capital Fund upon the expiration or termination of the Lease shall belong to the Authority.

5.3 Operator Requirements. During the Lease Term, the Tenant shall engage and retain an operator (the “**Operator**”) to operate the Leased Premises in accordance with the Operating Standard and pursuant to a management agreement (“**Management Agreement**”). The terms and conditions of each Management Agreement shall be subject to the Authority’s prior written approval. The Operator must, at all times, be either the Tenant or an affiliate of the Tenant or otherwise be approved by the Authority.

5.4 Concessions. During the Lease Term, the Tenant shall retain a concessionaire (the “**Concessionaire**”) to operate the concession operations at the Leased Premises in accordance with the Operating Standard and pursuant to a concessionaire agreement (the “**Concessionaire Agreement**”). The terms and conditions of each Concessionaire Agreement shall be subject to the Authority’s prior approval. The Concessionaire must, at all times, be approved by the Authority. The Concessionaire will use good faith, commercially reasonable efforts to offer selections from local companies, including local wineries and breweries.

6. Management Advisory Committee. The Authority and the Tenant shall agree to the appointment of a Management Advisory Committee (the “**Management Committee**”) to consult with and advise the Tenant and the Operator in connection with the management, operation, maintenance, repair and alteration of the Leased Premises. The Management Committee will be comprised of [____ () members, ____ () of which will be selected by the Tenant and ____ () of which will be selected by the Authority]. Each party may remove and replace its member(s) and select alternates at its discretion and at any time so long as the ratio of representation among the Authority and the Tenant remains [__ : __].

6.1 Purpose. The purpose of the Management Committee is to: (a) keep the Authority, the Tenant and the Operator fully informed before any decisions are made or actions are taken on issues affecting the management, maintenance, operation, repair, alteration and development of the Leased Premises (the “**Issues**”) including, without limitation, agreements with potential users, tenants or service providers at the Leased Premises, changes to the identity of the Operator (including all information reasonably necessary to demonstrate that the Operator satisfied the Operating Standard), changes to the identity of the Concessionaire, the scheduling of events at the Leased Premises, the issuance of press releases relating to topics of material interest and any other significant occurrence at the Leased Premises, the hiring of key personnel and key service agreements and (b) provide the Tenant and the Authority a meaningful platform from which they may voice their opinions and recommendations on these Issues. The Tenant and the Operator each recognize the need for, and encourage, recommendations from the Management Committee as to the management, operation, maintenance, repair, alteration and development of the Leased Premises and, in furtherance of obtaining fully informed recommendations, the Tenant and the Operator agree that the Authority will have full access to all information pertaining to any Issues.

7. Booking. The booking policies and procedures governing the Leased Premises will be subject to the mutual approval of the Tenant and the Authority, with the understanding that the booking policies and procedures for the Leased Premises will be patterned after those in place at Comparable Properties and that the Tenant will have the first priority with respect to booking minor league exhibition, home and playoff baseball games at the Leased Premises each year. The booking policies for the Leased Premises shall be drafted and implemented with the goal of maximizing the use of the Leased Premises consistent with the frequency of use of Comparable Properties.

8. Alterations. Alterations to the Leased Premises that (i) do not conform to the Project Design/Development Specifications (as defined in the Term Sheet for Project Agreement attached as Exhibit A to this Memorandum), the Project schematics, the Project drawings or the construction plans, (ii) are material in nature, (iii) do not conform to the Permitted Use of the

Leased Premises, (iv) would result in any structural change to the Leased Premises or (v) alter the nature, character, appearance or use of the Leased Premises must be approved by the Authority and the County before work is commenced by the Tenant with regard thereto.

9. Assignment; Subletting; Control of the Tenant.

9.1 Assignment and Subletting. The Lease shall provide that the occurrence of any one of the following events (each a “**Transfer**”) without the prior written consent of the Authority shall constitute an event of default under the Lease, unless such event is a Permitted Transfer (as defined below):

(a) Any direct or indirect sale, assignment, transfer, sublease, license or other disposition of the Leased Premises or any right, title, interest or obligation of the Tenant under the Lease or any other Definitive Agreement, whether voluntarily, involuntarily, by operation of law or otherwise (including by way of merger or consolidation);

(b) Any mortgage, pledge, encumbrance or other hypothecation of the Leased Premises or any right, title or interest of the Tenant under the Lease or any other Definitive Agreement; and

(c) Any direct or indirect issuance or transfer of any securities or interests having ordinary voting power for the election of directors (or other comparable controlling body) of any Person or entity or any transfer of an equity or beneficial interest in any Person that directly or indirectly results in either (i) a change of the Controlling Person of the Tenant (defined below), or (ii) the creation of a Controlling Person of the Tenant, where none existed before (each, a “**Change of Control**”); provided, however, if such Change of Control will result in a tenant under the Lease (1) with substantial experience in the management and operation of a professional baseball team and related stadium, (2) who can demonstrate to the Authority reasonable financial strength to conduct such operations and (3) who has entered into a franchise agreement relating to playing of professional baseball games at the Stadium, then the Authority shall not be entitled to unreasonably withhold its consent to the Change of Control.

Notwithstanding the foregoing to the contrary, the following shall not constitute a Transfer (each, a “**Permitted Transfer**”) and Authority’s consent to such Permitted Transfer shall not be required under the Lease or any other Definitive Agreement:

(a) Any Use Agreement (as such term is defined below), provided, that such Use Agreement is subject and subordinate to the Lease and conforms to the Operating Standard and, provided, further, that any Use Agreement (and any amendments thereto) granting or permitting a sports team (professional or otherwise) the right to play its home or other games at the Leased Premises for a period of greater than one (1) year (including any renewals or “serial” agreements) must be approved by the Authority, such approval not to be unreasonably withheld and must provide that the Authority is a third party beneficiary thereof; and

(b) Any issuance or transfer of any securities or interests having ordinary voting power for the election of directors (or other comparable controlling body) of any

Person that either (i) results in there being no Controlling Person of the Tenant, where none existed before or (ii) does not result in a change of the Controlling Person of the Tenant or the creation of a Controlling Person of the Tenant where none existed before.

As used herein,

(1) The term “**Controlling Person of the Tenant**” means any Person that directly or indirectly controls the Tenant;

(2) As used in the definition of “**Controlling Person of the Tenant**”, the term “**control**” shall mean the possession, directly or indirectly, of the power to either (i) vote 50% or more of the securities or interests having ordinary voting power for the election of directors (or other comparable controlling body) of the Tenant or (ii) direct or cause the direction of management, policies or Major Decisions of the Tenant, whether through the ownership of voting securities or interests, by contract or otherwise;

(3) As used in the definition of “control” the term “**Major Decisions**” shall mean and be limited to the approval of (i) any Transfer or Permitted Transfer, (ii) any pledge or encumbrance of the Tenant’s assets as security for any debt, (iii) any Management Agreement or Concessionaire Agreement, (iv) any amendment to the Definitive Agreements, (v) any operating or capital budgets for the Leased Premises or (vi) any booking policies or procedures for the Leased Premises; and

(4) The term “**Use Agreement**” shall mean a use, lease, sublease, license, concession, occupancy or other agreement for the use or occupancy of any designated space or designated facilities within the Leased Premises for any Permitted Use, but shall not include any of the foregoing for all or substantially all of the Leased Premises.

10. Non-Relocation and Team Name. The Tenant and the Authority will negotiate provisions that provide an enforceable prohibition (with appropriate penalties as agreed to by the Parties, such as liquidated damages) against the playing of any of the Team’s home preseason, regular season or playoff games anywhere other than the Leased Premises (other than games played elsewhere when the Leased Premises are not available due to reasons beyond the control of the Tenant, such as following a casualty) and against the relocation of the Team’s franchise during the Lease Term. In all instances, the name of the Team shall always contain the words “Spotsylvania.”

11. League Commitment. The Tenant shall cause to be provided by the League to the Authority a written agreement, satisfactory to the Authority, acknowledging that in the event that the Team changes the location of its home games from the Stadium or withdraws from the League (voluntarily or otherwise), or otherwise fails to play a reasonable number of minor-league baseball games in the Stadium (in the Authority’s sole opinion), then, in such event, the League will provide a replacement team to the Authority, along with the person or persons necessary to operate the replacement team, said person or persons to be reasonably acceptable to the Authority and to assume all of the obligations of the Tenant under the Lease.

12. Advertising. The Tenant shall have the sole and exclusive advertising privileges on the interior and exterior of the Stadium, including billboard and program advertising, and all revenue

derived therefrom shall be retained by or paid to the Tenant, subject to the revenue sharing provisions set out above. The Tenant acknowledges that the Authority shall have advertising privileges during Public Events, including use of the video boards and electronic signage at the Stadium, which advertising shall be temporary in nature, and all revenues derived therefrom shall be retained by or paid to the Authority or its designee. In addition, at all times, the Authority and/or the County shall have, at no charge, the non-exclusive right to require certain public service announcements be made during events at the Stadium, and the right to use the video boards and electric signage at the Stadium during events at the Stadium, to promote events occurring in the County.

13. Naming Rights. The County shall grant to the Tenant the right to (i) name the Leased Premises and (ii) give designations and associations to any portion of the Leased Premises or the operations therefrom (collectively, "**Naming Rights**"); provided, however, that the exercise by the Tenant of the Naming Rights shall be subject to the prior written approval of the Authority, such approval not to be unreasonably withheld. In addition, the exterior signage of the Stadium shall include prominent signage displaying the name of the County in several locations.

14. Public Suite. During the Lease Term, the Authority and the County shall have the use of one suite in the Stadium for promotional and economic development activities and for other public and civic purposes during all events at the Stadium. This suite will be of a size and in a location reasonably acceptable to the County and the Authority. The County and the Authority shall have the same privileges and obligations as the Tenant or the Operator grants to, or requires of, the majority of third parties for other similarly located suites in the Stadium, except that, although the County and the Authority shall be obligated to pay for costs and expenses in connection with its use of the suite, such as food and beverage charges, telephone expenses, maintenance and repair costs and other charges imposed on the majority of suite users for services, costs and expenses (provided that as to the County and the Authority all such charges, costs and expenses will be on a "cost" basis), the County and the Authority shall not be obligated to pay (a) to acquire the suite, (b) any annual rent with respect thereto or (c) for tickets to any events in the Stadium.

15. Complimentary Tickets and Employee Night. The Tenant shall, in each year of the Lease Term, provide the Authority with two hundred (200) tickets, including tickets to handicapped accessible seating, without cost, for every event scheduled at the Stadium upon notification to the Tenant by the Authority twenty-four (24) hours in advance of such event. In the event the Authority requests block seating greater than twenty-five (25) seats, the Tenant shall accommodate such request, provided it receives at least two (2) weeks advance notice. In all other cases the Tenant shall use its best efforts to provide tickets in blocks of at least twenty-five (25) seats. All of such tickets provided to the Authority shall be distributed by the Authority free of charge to select organizations, groups or members of the community designated by the Authority. In no event shall tickets so provided to the Authority be sold or subjected to a charge or fee by the Authority. In addition, not more than once during any baseball season, the Tenant shall accommodate a "County Employee Night" at a mutually agreeable Team home game. The Tenant shall provide the County with one thousand (1,000) tickets for such "employee night", without cost, to be distributed by the County to its employees, their families and guests. In no event shall tickets so provided be sold or subjected to a charge or fee by the County.

16. Public Uses. The County, at no cost other than those expenses to be reimbursed to the Tenant or the Operator as described in this Section 16, shall be permitted, on the terms set forth in this Section 16, but subject to the same other terms and conditions as are applicable to other persons or entities using the Leased Premises, to use (and lease out for use by others) the Leased Premises for charitable, educational, public or civic ceremonies, forums or other similar civic events and purposes (“**Public Uses**”) on dates reserved by the County therefor (the “**County Dates**”), but subject in all cases to the event schedule of the Leased Premises (including all home baseball games scheduled at the Leased Premises) published in advance from time to time. The County may only reserve any of such dates discussed above for actual events and may not reserve any dates in the hope of acquiring an event; provided, however, the County may hold a date for up to two hundred forty (240) days upon delivery of a deposit reasonably acceptable to the Tenant and consistent with the deposit amount that the Tenant or the Operator requires of other users of the Leased Premises. The County may not use the Leased Premises pursuant to this Section 16 for any use which would be in competition with concerts, performances or other revenue-generating events typically held at Comparable Properties and sponsored or promoted by for-profit businesses. The County or its designee shall be entitled to all revenue generated from Public Uses. All Leased Premises agreements with vendors, suppliers, sponsors, concessionaires and advertisers shall remain in effect with respect to all of the Public Uses, as will all policies established by the Operator for the Leased Premises including, without limitation, those regarding crowd control, maintenance, ticketing, access, building operations, broadcasting and operational matters.

In lieu of a fee for the use of the Leased Premises on a County Date, the County shall reimburse the Tenant and the Operator for the following expenses (all on a “cost” basis) attributable to the use of the Leased Premises on each County Date (each an “**Public Event**”):

(a) direct costs of the Operator, including fully burdened salary expense, for set-up and breakdown for such Public Event, including floor or seating changeovers, other costs directly related to or associated with a Public Event (including for ushers, security personnel, facility and system operators, janitorial personnel and other personnel), utility expenses and clean-up of the Leased Premises following such Public Event; and

(b) if tickets for a Public Event are sold and the revenues are to be retained by the County or its designee as provided in this Section 16, the costs incurred by the Operator of ticket sales, including box office and ticket takers, agents or brokers expense.

The foregoing reimbursement obligation shall not apply to any of the Tenant’s or the Operator’s overhead costs in connection with a Public Event or to any capital costs.

17. Appropriation. The Parties agree that any obligations of the Authority and the County to pay any money under any provision of the Lease is contingent upon an appropriation by the Authority or the County in the amount of such payment or other monetary obligation, and the failure of the Authority or the County to make an appropriation shall not cause the Authority or the County to be in default under the terms of the Lease. Further, neither the County, the Authority nor their respective elected officials, officers, employees, agents, attorneys or other individuals acting on behalf of either of them, make or shall be required to make any representation or warranty as to whether any appropriation will, from time to time during the

Lease Term, be approved by the Board of Supervisors of the County or the Board of the Authority, as applicable.

18. Defaults. In addition to the usual and customary listing of events of default and remedies and provisions for notice of default and an opportunity to cure, the Lease will provide that any default by the Tenant or the Authority under the Development Agreement will be a default under the Lease.

19. Exercise of Powers. The Lease will contain an acknowledgment by the Tenant that the County and the Authority, as applicable, exercise certain police powers, taxation powers and other governmental functions which may affect the Leased Premises and that the Lease shall not in any way may affect the exercise of such powers, duties and functions.

20. Other Lease Provisions. The Lease will contain certain other provisions to be mutually agreed upon by the Authority and the Tenant that are customary for agreements of the type represented by the Lease.

ANNEX 1

Definitions

“**Comparable Properties**” means one or more first-class, Class A standard, multi-purpose minor league baseball stadiums that (i) have been constructed no earlier than five (5) years before the Project Completion Date, (ii) are comparable in size to the Stadium and (iii) are located in the United States. For the purposes of this Memorandum, the term Comparable Properties shall include, as of the date hereof (but which may not be included in the future if such properties no longer meet the definition of Comparable Properties): (1) **[INSERT NAMES OF FACILITIES]**

“**Post-Closing Conditions**” means the following conditions to be satisfied by the date set forth below:

(a) On or before _____, 2015, the Authority shall have entered into a design agreement with the architect for the Project;

(b) On or before _____, 2015, the construction plans for the Project shall have been approved by each of the Parties;

(c) On or before _____, 2015, the Authority shall have entered into a construction contract with a contractor for the development, construction and furnishing of the Project;

(d) On or before _____, 2015, the Authority, the Tenant and the contractor shall have agreed upon a guaranteed maximum price (“**GMP**”) and all related assumptions with regard to the development, construction and furnishing of the Project;

(e) On or before _____, 2015, all governmental authorities whose approval is required, shall have reviewed and/or approved, as required by applicable law, the proposed development of the Project and the necessary construction plans so that the Authority shall be able to commence construction of the Project upon the closing of the Bond Financing without the necessity of any further action on the part of any third party;

(f) On or before _____, 2015, the Tenant shall have contributed the Tenant Investment to be held in escrow and disbursed to pay design, development, construction and furnishing costs of the Project as set forth in the Project Budget and in accordance with the terms of the Development Agreement; and

(g) On or before _____, 2015, the Bond Financing shall have closed and the proceeds thereof shall be available to pay the closing costs thereof and the costs for the design, development, construction, and furnishing of the Project as set forth in the Project Budget and in accordance with the terms of the Development Agreement.