

ORDINANCE NO. 3625

AN ORDINANCE approving the financing lease between the Industrial Development Authority of Loudoun County, Virginia ("Loudoun IDA"), and the City of Alexandria, the County of Arlington and the County of Loudoun, Virginia, which has been prepared in conjunction with the acquisition, financing and relocation of police training facilities of the Northern Virginia Criminal Justice Academy ("Academy"), and authorizing the city manager to execute the financing lease on behalf of the city.

WHEREAS, the Academy was created by joint agreement of the Counties of Arlington and Loudoun, and the Cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park for the purpose of providing training for sworn law enforcement and correctional officers, and for other personnel who assist and support such officers; and

WHEREAS, Arlington County has requested that the Academy vacate its present training facilities, which are housed in an unused Arlington County public school building, so that Arlington can resume use of the building for school purposes; and

WHEREAS, the Academy has undertaken an extensive competitive regional search for a property that would meet the Academy's need for a permanent training facility, and would represent a sound long-term investment of public funds; and

WHEREAS, the Academy has found an appropriate facility at the University Center in Loudoun County, Virginia, that can be purchased upon favorable terms; and

WHEREAS, the acquisition of the new Academy facility at University Center will be financed through the issuance of bonds by the Loudoun IDA; and

WHEREAS, under the terms of the proposed financing lease, which is attached hereto and incorporated herein by reference, the City of Alexandria and the Counties of Arlington and Loudoun are proposed to be the entities that lease the new Academy facility at University Center from the Loudoun IDA because their credit ratings will enable the Loudoun IDA to finance the acquisition of the facility at favorable rates; and

WHEREAS, all jurisdictions participating in the Academy will equitably share, through local contributions, the costs of acquiring and operating the new Academy facility; now, therefore,

THE CITY COUNCIL OF ALEXANDRIA HEREBY ORDAINS:

Section 1. That city council hereby approves the attached financing lease between the Loudoun IDA and the City of Alexandria, the County of Arlington and the County of Loudoun with such insertions, omissions or other revisions (including, without limitation, changes of the dates thereof) as may be

approved by the city manager, whose approval shall be evidenced conclusively by her execution of the lease.

Section 2. That city council hereby authorizes the city manager to do on behalf of the City of Alexandria all things that she deems necessary or desirable to carry into effect the attached financing lease and to implement the terms and provisions of the lease, including the execution of the lease with such insertions, omissions or other revisions as she deems appropriate, and the execution of other instruments, documents or certificates, and, in addition, authorizes the manager, on behalf of the city, to approve one or more subleases of space in the new Academy facility at University Center as she deems appropriate and as may be acceptable to the chairman of the Academy Board based, inter alia, on tax considerations relating to the Loudoun IDA bonds, market rental rates and compatibility of the sublessee's use of the subleased space with the Academy's use of the facility.

Section 3. That the city council hereby authorizes the city clerk to attest the execution by the city manager of the financing lease between the Loudoun IDA and the City of Alexandria, the County of Arlington and the County of Loudoun, and of any other documents that the manager has deemed necessary or desirable to carry into effect any provisions of the financing lease, including any subleases of space within the new Academy facility.

Section 4. That this ordinance shall become effective upon the date and at the time of its final passage.

PATRICIA S. TICER  
Mayor

Final Passage: April 17, 1993

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FINANCING LEASE

BETWEEN

INDUSTRIAL DEVELOPMENT AUTHORITY OF  
LOUDOUN COUNTY, VIRGINIA

AND

CITY OF ALEXANDRIA, VIRGINIA  
COUNTY OF ARLINGTON, VIRGINIA  
COUNTY OF LOUDOUN, VIRGINIA

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\_\_\_\_\_, 1993

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## FINANCING LEASE

THIS FINANCING LEASE is made as of \_\_\_\_\_ 1, 1993, between the INDUSTRIAL DEVELOPMENT AUTHORITY OF LOUDOUN COUNTY, VIRGINIA, a political subdivision of the Commonwealth of Virginia (the "Authority"), and the CITY OF ALEXANDRIA, VIRGINIA, the COUNTY OF ARLINGTON, VIRGINIA, and the COUNTY OF LOUDOUN, VIRGINIA, each a political subdivision of the Commonwealth of Virginia (collectively the "Principal Members").

The Authority was duly created pursuant to the Industrial Development and Revenue Bond Act, Chapter 33, Title 15.1, Code of Virginia of 1950, as amended (the "Act"), for the purpose of promoting industry and developing trade by inducing governmental, industrial and commercial enterprises to locate or remain in the Commonwealth of Virginia and to exercise all powers granted to it under the Act.

The Authority has determined pursuant to the Act to acquire certain real estate and improvements thereon located in Loudoun County, Virginia to assist the Principal Members in facilitating the financing of a training facility on behalf of the Northern Virginia Criminal Justice Academy in which the Principal Members are members. The Authority will, pursuant to the Act, provide for the payment of the cost of the acquisition, renovation, improvement, furnishing and equipping of the facility and related improvements by the issuance of its revenue bonds payable from rentals to be received from the Principal Members pursuant to this Financing Lease under which the facility will be leased to the Principal Members and from other moneys which may be made available for such purpose by the Principal Members.

This Financing Lease is exempt from recording taxes under Section 58.1-807 of the Code of Virginia of 1950, as amended, pursuant to Section 58.1-811E.

### ARTICLE I

#### DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.1. Definitions. All words and terms defined in Article I of the Indenture have the same meanings in this Financing Lease. In addition, the following words and terms have the following meanings in this Financing Lease unless the context clearly requires otherwise:

"Academy" means the Northern Virginia Criminal Justice Academy.

"Academy Training Center" means the building and structures located on the Real Estate, together with all renovations and improvements thereto and equipment and furnishings.

"Additional Rent" means the Additional Rent that is payable pursuant to Section 5.2(b).

"Assignment of Rents and Leases" means the Assignment of Rents and Leases dated as of the date hereof between the Authority and the Trustee.

"Basic Documents" mean the Indenture, this Financing Lease, the Purchase Contract, the Deed of Trust, the Assignment of Rents and Leases and the Bond Purchase Agreement.

"Basic Rent" means the Basic Rent that is payable pursuant to Section 5.2(a).

"Bond Purchase Agreement" means the Bond Purchase Agreement, dated \_\_\_\_\_, 1993, among the Principal Members, the Authority and the Underwriters.

"Bonds" has the meaning set forth in the Indenture.

"Cost", when used with respect to the Project, and "Cost of the Project" each mean the total Cost of the Project (as defined in the Indenture) attributable to the Project or any Project Addition.

"County" means the County of Loudoun, Virginia.

"Deed of Trust" means the [ ] Deed of Trust dated as of the date hereof between the Authority and the individual trustees therein named.

"Event of Default" or "Default" means any of the events enumerated in Section 10.1.

"Financing Lease" means this Financing Lease between the Authority and the Principal Members, as it may be modified, altered, amended and supplemented in accordance with its terms and the terms of the Indenture.

"Indenture" means the Indenture of Trust, dated as of the date hereof between the Authority and the Trustee, as it may be modified, altered, amended and supplemented in accordance with its terms.

"Lease Term" means the duration of the leasehold estate created in this Financing Lease as specified in Section 5.1.

"Net Proceeds" mean the gross proceeds of any recovery on any insurance policy or alternative arrangement or substitute arrangement (including but not limited to any recovery on any policy of title insurance as to the Project) or condemnation or eminent domain award remaining after payment of attorneys fees,

fees and expenses of the Trustee and other expenses incurred in the collection of such gross proceeds.

"Payment of the Bonds" means payment in full of the principal of and interest on the Bonds and any Additional Bonds or provision for such payment as provided in the Indenture.

"Permitted Encumbrances" means, as of any particular time as to the Project, (i) liens for ad valorem taxes and special assessments not then delinquent, (ii) liens of taxes and assessments which are delinquent but the validity of which is being contested in good faith and with respect to which the Authority or the Principal Members has set aside adequate reserves for payment, unless, as a result of the lien, the Project or the interest of the Authority in it may be in danger of being lost or forfeited, (iii) any security interest or other liens created by the Basic Documents or any Supplemental Indenture, (iv) mechanics' and materialmen's liens incident to the renovation, improvement or maintenance of the Project which are being contested in good faith and have not proceeded to judgment, provided the Authority or the Principal Members has set aside adequate reserves for payment, (v) restrictions and mineral rights and easements, rights of way, exceptions or reservations for the purpose of utilities (including but not limited to water and gas pipelines, sanitary and storm sewers, telephone lines, telegraph lines, power lines, substations and other facilities and equipment used in connection with such utilities), roads, streets, alleys, highways, railroads, dikes, canals, laterals, ditches, and other like purposes, (vi) such defects, irregularities, encumbrances, easements, rights of way and clouds on title as normally exist with respect to property owned or leased by the Principal Members similar in character to the Project and as will not, in the Opinion of Counsel, impair the intended use of the Project, (vii) present or future valid zoning laws and ordinances, (viii) any leases of the property in effect on the date hereof and any future leases or subleases complying with the terms of this Agreement and (ix) any other exceptions described in Exhibit A or referred to in the Basic Documents as permitted exceptions.

"Principal Members" mean, jointly and severally, the City of Alexandria, Virginia, and the Counties of Arlington and Loudoun, Virginia.

"Project" means the Academy Training Center, together with the Real Estate and all other buildings, structures, improvements and appurtenances now located thereon and all buildings, structures, improvements, furnishings, equipment and appurtenances hereafter financed with proceeds of the Bonds or Additional Bonds, all as they may exist from time to time.

"Project Additions" means any additions, enlargements, improvements, expansions, repairs, restorations or reconstructions of the Project.

"Purchase Contract" means the Agreement of Purchase and Sale dated as of \_\_\_\_\_, 1993 between the Authority and University Center L-1 Associates Limited Partnership, as seller.

"Real Estate" means the land constituting a part of the Project described on Exhibit A.

"Rental Payments" mean the sum of the Basic Rent and the Additional Rent set forth in Section 5.2.

"Trustee" means Crestar Bank, a banking corporation organized under the laws of the Commonwealth of Virginia.

"Underwriters" means Wheat, First Securities, Inc., as underwriters for the Bonds.

Section 1.2. Rules of Construction. Except where the context otherwise requires, (i) singular words connote the plural number as well as the singular and vice versa and (ii) pronouns inferring the masculine gender include the feminine and neuter genders and vice versa. All references to particular articles or sections are references to articles or sections of this Financing Lease unless otherwise indicated. The headings and Table of Contents in this Financing Lease are solely for convenience of reference and do not constitute a part of this Financing Lease or affect its meaning, construction or effect.

## ARTICLE II

### REPRESENTATIONS

Section 2.1. Representations by Authority. The Authority makes the following representations as the basis for its undertakings under this Financing Lease:

(a) The Authority is a political subdivision of the Commonwealth, duly created by the Act.

(b) The undertaking by the Authority to finance the Project and to acquire the Project on behalf of the Principal Members for the benefit of the Academy and to lease it to the Principal Members for use by the Academy has been authorized, as required by the Act, by the affirmative vote of a majority of the members of the Authority present at a meeting at which a quorum was present and acting throughout.

(c) The Authority (i) has the power to enter into and to carry out its obligations under the Basic Documents and to issue the Bonds to finance the cost of acquiring, renovating, improving and equipping the Project, (ii) by proper action has duly authorized the execution and delivery of and performance of its obligations under the Basic Documents and the issuance of the Bonds, and (iii) simultaneously with its execution and delivery of this Financing Lease has duly executed and delivered the other Basic Documents and issued and delivered the Bonds.

(d) The Authority is not in default under or in violation of, and the execution, delivery and compliance by the Authority with the terms and conditions of, the Basic Documents and the Bonds, will not conflict with or constitute or result in a default under or violation of, the Act or any other existing law, rule or regulation applicable to the Authority.

(e) The execution, delivery and compliance by the Authority with the terms and conditions of the Basic Documents and the Bonds will not conflict with or constitute or result in a default under or violation of any indenture, mortgage, deed of trust, lien, lease, contract, note, order, judgment, decree or other agreement, instrument or restriction of any kind to which the Authority or any of its assets is subject.

(f) No further approval, consent or withholding of objection on the part of any regulatory body or any federal, state or local official is required in connection with (i) the issuance and delivery of the Bonds by the Authority, (ii) the execution or delivery of, or compliance by the Authority with the terms and conditions of, the Basic Documents or the Bonds, or (iii) the pledge and assignment made by the Authority to the Trustee under Article II of the Indenture, provided that no representation is made with respect to any federal or state securities or blue sky laws or regulations.

(g) No litigation, inquiry or investigation of any kind in or by any judicial or administrative court or agency is pending or, to the Authority's knowledge, threatened against it with respect to (i) the creation and existence of the Authority, (ii) its authority to execute and deliver the Basic Documents or the Bonds, (iii) the validity or enforceability of any of such instruments, (iv) the title of any officer of the Authority who executed such instruments, or (v) any authority or proceedings related to the execution and delivery of such instruments on behalf of the Authority (and no such authority or proceeding has been repealed, revoked, rescinded or amended).

Section 2.2. Representations by the Principal Members.  
Each of the Principal Members makes the following representations as the basis for its undertakings under this Financing Lease:

(a) The Principal Member is a political subdivision of the Commonwealth of Virginia.

(b) The Principal Member has the power to enter into and to perform its obligations under this Financing Lease and the other Basic Documents to which it is a party and by proper action has duly authorized the execution and delivery of this Financing Lease and the other Basic Documents to which it is a party.

(c) The Principal Member is not in default in the payment of the principal of or interest on any of its indebtedness for borrowed money and is not in default under any instrument under and subject to which any indebtedness has been incurred, and no event has occurred and is continuing under the provisions of any such agreement that with the lapse of time or the giving of notice, or both, would constitute such an event of default.

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

(e) No further approval, consent or withholding of objection on the part of any regulatory body or any federal or local official is required in connection with (i) the execution and delivery of this Financing Lease and the other Basic Documents to which it is a party or (ii) the performance by the Principal Member of its obligations under this Financing Lease and the other Basic Documents to which it is a party.

(f) No litigation, inquiry or investigation of any kind or by any judicial or administrative court or agency is pending or, to the Principal Member's knowledge, threatened against it in which any liability of the Principal Member is not adequately covered by insurance or in which any judgment or order would have a material adverse effect upon the activities or assets of the Principal Member or would affect the acquisition, renovation, improvement, equipping or operation of the Project or the validity or performance of the Principal Member's obligations under this Financing Lease or the other Basic Documents to which it is a party.

(g) The lease of the Project to the Principal Member pursuant to this Financing Lease for use by the Academy will provide necessary improvements for essential governmental operations and services of the Principal Member and, therefore, will serve a function which is necessary and essential to its proper, efficient and economic operation.

### ARTICLE III

#### LEASE OF PROJECT

Section 3.1. Lease of Project. The Authority demises and leases to the Principal Members, jointly and severally, and the Principal Members, jointly and severally, lease from the Authority, the Project at the Rental Payments set forth in Section 5.2 and in accordance with the provisions of this Financing Lease.

### ARTICLE IV

#### ACQUISITION, RENOVATION, IMPROVEMENT AND EQUIPPING OF PROJECT AND ISSUANCE OF BONDS

Section 4.1. Agreement to Acquire, Renovate, Improve and Equip Project. Subject to the provisions of Section 12.8, the Authority agrees to issue the Bonds to provide moneys to acquire, renovate, improve and equip the Project. The Principal Members will or will cause the Academy to renovate, improve and equip the Project. As each part of the Project is acquired, it will be deemed to immediately become property subject to this Financing Lease.

Upon the completion of the Project, the Principal Members will or will cause the Academy to promptly deliver to the Authority and the Trustee a certificate signed by the Academy Director stating that the Project has been completed in substantial compliance with all material applicable laws, ordinances, rules and regulations and that all permits then necessary for the use of the Project as contemplated by this Financing Lease have been issued or obtained. The Principal Members will obtain or cause the Academy to obtain all permits, consents and approvals required in connection with the acquisition, renovation, improvement, equipping, occupation, operation or use of the Project, including without limitation, the furnishing of utilities thereto. The Principal Members will, upon request, cause the Academy to promptly furnish to the Authority copies of all such permits, consents and approvals.

Section 4.2. Issuance of Bonds; Project Acquisition; Application of Proceeds of Bonds. In order to provide funds for

payment of the Cost of the Project, the Authority agrees to issue the Bonds and use a portion of the proceeds thereof to acquire the Project under the terms of the Purchase Contract. The proceeds of the Bonds and any Additional Bonds will be applied as provided in the Indenture.

Section 4.3. Additional Costs; Delay in Completion. If the money deposited in the Project Fund from the proceeds of the Bonds and any Additional Bonds is not sufficient to pay in full the Cost of the Project, the Principal Members will or will cause the Academy to, subject to Section 5.7(b), provide for the payment of the excess costs to complete the Project. The Principal Members will not by reason of the payment of such excess costs be entitled to any reimbursement from the Authority or to any abatement, diminution or postponement of any amounts payable under this Financing Lease, nor will there be any diminution in or postponement of the payments required to be paid by the Principal Members pursuant to Section 5.2 if for any reason the acquisition, renovation, improvement and equipping of any portion of the Project is not completed or is not completed on schedule.

Section 4.4. Additional Bonds. Upon the request of the Principal Members, the Authority may, subject to the terms of the Indenture, issue Additional Bonds to finance the Cost of the Project (in excess of the amount available to pay such Cost from the proceeds of the Bonds) or the Cost of the Project Additions; provided, however, the failure of the Authority to do so will not release the Principal Members from any of their obligations under this Financing Lease or impose any liability on the Authority.

Section 4.5. Default in Contractors' Performance. In the event of default of any contractor or subcontractor under any contract for the Project, the Principal Members will or will cause the Academy to promptly proceed, either separately or in conjunction with others, to exhaust the remedies of the Authority or the Principal Members, as appropriate, against the contractor or subcontractor so in default and against each surety for the performance of such contractor. The Principal Members agree to advise or cause the Academy to advise the Authority, in writing, of the steps they or the Academy intends to take in connection with any such default. The Principal Members may, in good faith, in their own name or in the name of the Academy or the Authority, prosecute or defend any action or proceeding or take other action involving any such contractor, subcontractor or surety which the Principal Members or Academy deem reasonably necessary, and in such event the Authority agrees to cooperate fully with the Principal Members. Unless some other disposition is approved by the Principal Members, amounts recovered by way of damages, refunds, adjustments or otherwise in connection with the foregoing will be paid into the Project Fund established under the Indenture to be applied to pay the Cost of the Project or, if

recovered after completion of the Project, will be paid to the Principal Members.

Section 4.6. Disclaimer of Warranty. The Project is being acquired, constructed, installed and equipped at the Principal Members' request on behalf of the Academy and by contractors, architects, engineers and suppliers approved by the Principal Members in accordance with plans and specifications approved by the Principal Members. THE AUTHORITY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO THE MERCHANTABILITY, CONDITION OR FITNESS OF ANY PORTION OF THE PROJECT FOR THE COUNTY'S PURPOSES OR TO THE EXTENT THE PROCEEDS OF THE BONDS WILL BE SUFFICIENT TO PAY THE COSTS INCURRED IN CONNECTION WITH THE ACQUISITION, RENOVATION, IMPROVEMENT AND EQUIPPING OF THE PROJECT. In the event the Principal Members determine that any contractor or supplier is in default or has breached any representation, warranty or service agreement, the Principal Members at their own expense, may proceed, either separately or in conjunction with others, to exhaust all available claims, actions and remedies against such contractor or supplier and against any surety for the performance of any contracts or the representation, warranty or service agreement and the recovery of damages arising out of such default. The Principal Members may, or may cause the Academy to, prosecute or defend any such action or proceeding or take any other appropriate action which they deem necessary or desirable in their own names or in the name of the Academy or the Authority, if required. The net proceeds so recovered before delivery and acceptance of the Project will be paid into the Project Fund to be applied to pay the Cost of the Project or, if recovered after completion of the Project, will be paid to the Principal Members.

## ARTICLE V

### LEASE TERM AND RENT PROVISIONS

Section 5.1. Term of Financing Lease. The Lease Term for the Project will commence on the date of issuance and delivery of the Bonds by the Authority and, unless sooner terminated in accordance with this Financing Lease or pursuant to the exercise by the Principal Members of their prepayment option pursuant to Section 5.4, terminate at the earlier of (i) \_\_\_\_\_, 20\_\_\_\_ (provided that all Rental Payments and other amounts due hereunder have been paid on such date) or (ii) Payment of the Bonds (or deemed payment under the Indenture) and all other existing claims or obligations with respect to the Project.

Section 5.2. Payment of Rental Payments. (a) The Principal Members will jointly and severally, pay to the Authority the following Basic Rent for the Project on or before the dates and in the amounts as follows:

(1) Commencing on {^} November 1, {^} 1993, and on each {^} May 1 and {^} November 1 thereafter, the amount which, together with any other money available in the Bond Fund, will equal the interest due on the Bonds Outstanding on the following {^} June 1 or {^} December 1;

(2) On {^} May 1, {^} 1994, and on each {^} May 1 thereafter, the amount which, together with other money available in the Bond Fund, will equal the principal due on the Bonds Outstanding on the following {^} June 1.

(3) Not later than 45 days after notice thereof from the Trustee given pursuant to Section 7.6 and 7.7 of the Indenture, any amount necessary to increase the balance in (i) the Debt Service Reserve Fund to the Debt Service Reserve Requirement and (ii) the Supplemental Reserve Fund to the Supplemental Reserve Requirement.

At the direction of the Principal Members' designee or the Academy Director any amounts on deposit in the Bond Fund (other than amounts held for Bonds then due), which exceed any accumulated losses from any investment of such amounts, may be designated for application on any rental payment date to the payment of principal of and interest on the Bonds then due, and the amount so designated will be credited to the amounts payable under this subsection on such date.

(b) The Principal Members will pay, or cause the Academy to pay, when due as Additional Rent for the Project, (i) the reasonable fees of the Trustee for services rendered and expenses reasonably incurred by it as Trustee under the Indenture, as bond registrar and as paying agent on the Bonds, including any attorneys' fees incurred by the Trustee and any cost or expense necessary to cancel and discharge the Indenture upon Payment of the Bonds, and all other amounts which the Principal Members have assumed or agreed in this Financing Lease to pay, (ii) any amounts due to the Authority or the Deed of Trust Trustees for their respective expenses, including attorneys fees and expenses and (iii) any amounts required to be paid to the United States under Section 148(f) of the Code with respect to the Bonds and any Additional Bonds.

Section 5.3. Interest upon Default in Rental Payments. Any installment of Basic Rent not paid on or before its due date will bear interest from and after such due date until paid at the rate per annum that will yield the amount necessary to pay the interest due on the Bonds and Additional Bonds on the date such interest is due.

Section 5.4. Prepayment of Rental Payments. (a) So long as all payments then due pursuant to Section 5.2(a) have been paid, the Principal Members may elect by written notice to the

Authority and the Trustee to make from time to time prepayments of Basic Rent to purchase Government Obligations or Government Certificates, or to remain as cash, to be held by the Trustee, the principal of and interest on which at maturity will be sufficient (1) if Bonds have been called for redemption, to redeem in accordance with the relevant Section of the Indenture all such Bonds on the date set for such redemption, (2) to pay at maturity all Outstanding Bonds, (3) to pay interest accruing on all Bonds prior to their redemption or payment at maturity, and (4) to pay to the Trustee its reasonable fees and expenses and any other fees and expenses for which the Principal Members are responsible under this Financing Lease.

(b) So long as all payments then due pursuant to Section 5.2(a) have been paid, the Principal Members may elect by written notice to the Authority and the Trustee to make on or after ~~(^)~~ June 1, (^) 2003, a prepayment of Basic Rent in an amount equal to the outstanding principal of the Bonds to be redeemed prior to maturity and premium, if any, and interest accrued thereon to the redemption date for such Bonds which date shall be specified in such notice. The Authority directs the Trustee to apply any amounts so prepaid to redeem the Bonds under the provisions of the Indenture on the specified redemption date. In order to exercise this prepayment right, the Principal Members shall, at least forty-five days before the date on which the redemption of the Bonds is to occur, give written notice to the Authority and the Trustee of the prepayment.

Section 5.5. Payment of Authority Expenses. The Principal Members will, jointly and severally, pay or cause the Academy to pay all costs, fees, expenses and any other monetary obligation incurred by the Authority (including attorney's fees) in connection with:

- (a) the authorization, issuance and sale of the Bonds;
- (b) the ownership, occupation, operation or use of the Project;
- (c) prepayment or redemption of the Bonds; and
- (d) reasonable administrative costs and expenses of the Authority directly related to the Project, including the fees of attorneys, accountants, engineers, appraisers or consultants, paid or incurred by the Authority by reason of the Bonds being outstanding or pursuant to requirements of the Basic Documents.

Section 5.6. Indemnification. To the extent permitted by law, the Principal Members, at all times, shall protect, indemnify and save harmless the Authority, the Trustee and the Deed of Trust Trustees (collectively, "Indemnitees") from and against all liabilities, obligations, claims, damages, penalties,

finances, losses, costs and expenses (including, without limitation, reasonable attorneys' fees) for all acts of failure to act (or alleged failure to act) in connection with the Project, the issuance and servicing of the Bonds and the maintenance and preservation of the Project, including without limitation: (i) all amounts paid in settlement of any litigation commenced or threatened against the Indemnitees, if such settlement is effected with the written consent of the Principal Members; (ii) all expenses reasonably incurred in the investigation of, preparation for or defense of any litigation, proceeding or investigation of any nature whatsoever, commenced or threatened against the Principal Members, the Academy, the Project or the Indemnitees; (iii) the full amount of any judgments, penalties, fines, damages, assessments, indemnities or contributions; (iv) the reasonable fees and expenses of attorneys, auditors and consultants; and (v) any brokerage fees or commissions arising from the sale of the Bonds or the collateral security therefor.

The foregoing indemnity shall be effective only to the extent of any loss that may be sustained by the Indemnitees in excess of the net proceeds received from any insurance carried with respect to such loss, and the benefits of this Section shall not inure to any person other than the Indemnitees. Nothing contained herein shall require the Principal Members to indemnify the Indemnitees for any claim or liability resulting from their gross negligence or willful or wrongful acts or, with respect to the Trustee, resulting from its negligence. The indemnification granted by this Section shall survive termination of this Financing Lease, and the payment of any obligation incurred under this Section shall be subject to annual appropriations by the governing bodies of the Principal Members.

All references in this Section to the Indemnitees shall include their members, directors, officers, employees and agents.

Section 5.7. Nature of Obligations of the Principal Members. (a) Except as otherwise provided in this Section, the obligation of the Principal Members to pay Rental Payments and all other amounts provided for in this Financing Lease and to perform its obligations under this Financing Lease will be absolute and unconditional, and such Rental Payments and other amounts will be payable without any rights of set-off, recoupment or counterclaim that the Principal Members might have against the Authority, the Trustee or any other person and whether or not the Project is used or occupied by the Principal Members or available for use or occupancy by the Principal Members.

(b) The parties hereto recognize that the Principal members are not empowered to make any binding commitment beyond the current fiscal year without first complying with certain requirements for the incurrence of debt which they have not done; however, it is the current intention of the Principal Members to

make sufficient annual appropriations during the Lease Term to pay all Rental Payments and other amounts required to be paid by the Principal Members under this Financing Lease to the extent that revenues generated from subleasing the Project to the Academy or from the Academy's operation thereof are insufficient for such purpose. Notwithstanding anything in this Financing Lease to the contrary, the Principal Members' obligation to pay the cost and expense of performing their obligations under this Financing Lease, including without limitation their obligation to pay all Rental Payments and all other amounts required to be paid by them under this Financing Lease, are subject to and dependent upon appropriations being made from time to time by their governing body for such purpose. Each Principal Member directs its chief administrator officer or other officer charged with the responsibility of preparing its budget to include in the budget for each fiscal year during the Lease Term a request that the governing body appropriate in the fiscal year the amount of Rental Payments and other payments due under this Financing Lease during such fiscal year.

(c) If at any time during any fiscal year of the Principal Members, the Principal Members are notified by the Trustee (or otherwise learn) that the amount appropriated for the fiscal year is insufficient to pay when due the Rental Payments and other amounts due under this Financing Lease, the governing body of each Principal Member directs its chief administrative officer (or other officer charged with the responsibility of preparing the budget) to submit to the governing body at the next scheduled meeting thereof, or as promptly as practicable, but in any event within 45 days, a request for a supplemental appropriation sufficient to cover the deficit. If the amount appropriated as of July 1 of any fiscal year is insufficient to pay when due the Rental Payments and other amounts due under this Financing Lease in such fiscal year, the chief administrative officer (or other officer charged with the responsibility of preparing the budget) shall submit to its governing body within 60 days after being notified or otherwise learning thereof a request to appropriate an amount sufficient to pay the Rental Payments and other amounts due hereunder in such fiscal year and shall provide notice thereof to the Trustee as required by Section 8.7.

Section 5.8. Nature of Obligations of Authority. The cost and expense of the performance by the Authority of any of its obligations under this Financing Lease will be limited to the availability of the proceeds of the Bonds issued for such purposes or any Net Proceeds or from other funds provided by the Principal Members for such purposes.

Section 5.9. Assignment of Payments by Authority. The Principal Members acknowledge that all payments they are to make to the Authority under this Financing Lease (except payments

under Sections 5.2(b) and 5.5) are to be assigned by the Authority to the Trustee pursuant to the Indenture. The Principal Members agree to pay or cause to be paid by the Academy to the Trustee at its address set forth in Section 12.7 all payments payable by the Principal Members to the Authority under this Financing Lease (except payments under Sections 5.2(b) and 5.5 which are to be paid directly to the Authority or as otherwise directed by the Authority).

Section 5.10. Subordination; Acknowledgment by Principal Members.

(a) The Principal Members agree that their rights as lessee hereunder are and will be subordinate to the lien and security interest of the Deed of Trust and to all advances made or hereafter to be made upon the security thereof. Upon the request of the Trustee, the Principal Members will attorn to and acknowledge the foreclosure purchaser or purchasers, or the grantee of any deed in lieu of foreclosure, as landlord hereunder; provided, however, neither the Trustee nor such grantee or foreclosure purchaser shall be liable for any act or omission of the Authority prior to such foreclosure or shall be obligated to cure any defaults of the Authority arising prior to such foreclosure or deed in lieu thereof from and after the date of such foreclosure or deed in lieu thereof. In addition, the Principal Members will promptly furnish, at the Authority's request, such subordination and estoppel agreements, consents to assignment of the Authority's interest in this Financing Lease or of the rental payments due hereunder and attornment agreements as the Authority may reasonably require to comply with requirements of the Trustee.

(b) The Principal Members acknowledge that the Authority has entered into the Deed of Trust and that the Authority has assigned its interest in this Financing Lease (except the Authority's rights pursuant to Sections 5.2(b), 5.5 and 5.6 hereof) pursuant to the Indenture, the Deed of Trust and the Assignment of Rents and Leases.

Section 5.11. Transfer Upon Termination. After all payments have been made pursuant to Section 5.2 or the Basic Rent has been prepaid in full pursuant to Section 5.4(b) and after payment in full of the Bonds or after they have been deemed to have been paid and are no longer outstanding under Section 14.2 of the Indenture, and after payment of all other existing claims or obligations with respect to the Project, the Principal Members shall be deemed to have acquired all of the Authority's right, title and interest in the Project, including, the Real Estate. In such event, and upon request, the Authority will execute and deliver to the Principal Members an appropriate instrument or instruments assigning, transferring and conveying to the Principal Members or their designee all of the Authority's right,

title and interest in the Project free from any lien, encumbrance or security interest except such as may be created or permitted by the Principal Members, but without other warranties, and shall enter into an appropriate instrument terminating this Financing Lease.

## ARTICLE VI

### OPERATION AND MAINTENANCE; INSURANCE

Section 6.1. Maintenance and Modifications by Principal Members. During the Lease Term, the Principal Members will, at their own expense, keep or cause the Academy to keep the Project in as reasonably safe condition as its operation will permit and keep the Project in good repair and operating condition (normal wear and tear excepted). The Principal Members will operate and maintain the Project and pay the cost of such operation and maintenance or cause the Academy to do so. The Principal Members, as lessee, will provide services, including water, heat, light, electricity, repairs, replacements, security, janitorial, cleaning and caretaking services, all at their expense and without right of reimbursement from the Authority. The Authority as lessor will not be required to rebuild or to make any repairs, renewals or replacements of the Project of any nature whatsoever, and the Principal Members expressly waive any right they may have to make any repairs, renewals or replacements at the expense of the Authority as lessor. The Principal Members may make any additions, modifications, alterations, enlargements, improvements and expansions to, or repairs, reconstruction and restoration of, the Project that do not adversely affect the value of the Project or the structural integrity of any building or other structure forming a part of the Project. All additions, enlargements, improvements, modifications, alterations and expansions to, or repairs, reconstruction and restorations of, the Project must comply with all applicable federal, state and local laws, rules, regulations, ordinances and codes.

Section 6.2. Taxes, Other Governmental Charges and Utility Charges. The Principal Members will pay or cause the Academy to pay, when due all taxes and governmental charges of any kind whatsoever lawfully assessed, levied or imposed against the Authority with respect to the Project or any machinery, equipment or other property installed in or brought by the Principal Members or the Academy to the Project. The Principal Members will pay or cause the Academy to pay, when due all utility and other charges incurred in the operation, maintenance, use and occupancy of the Project and all assessments and charges lawfully made by any governmental body for public improvements to the Project. The Principal Members may, however, upon ten days' notice from them or the Academy Director to the Authority and the Trustee of their intention to do so, at their own expense and in

their own name or in the name of the Authority, contest in good faith any such tax, assessment, utility or other charge, in which event it may permit the charge to remain unpaid during the period of the contest and any appeal unless, in the opinion of the Trustee, the action may subject to loss or forfeiture the assignment of the Basic Rent for the payment of the Bonds, in which event the charge will be promptly satisfied or secured by posting with the Trustee or an appropriate court of record a bond in form and amount satisfactory to the Authority and the Trustee. The Authority will cooperate with the Principal Members in the conduct, at the expense of the Principal Members, of any such contest and will, to the extent that it may lawfully do so, permit the Principal Members to conduct the contest.

Section 6.3. Additional Rights of the Principal Members. The Principal Members may from time to time, in their discretion and at their own expense, install machinery, equipment and furnishings at the Project. All machinery, equipment and furnishings so installed (and paid for from sources other than proceeds of the Bonds) will remain the property of the Principal Members or Academy and neither the Authority nor the Trustee will have any interest in it. All machinery, equipment and furnishings installed by the Principal Members or Academy may be modified or removed at any time while the Principal Members are not in default under this Financing Lease so long as such removal or modification either does not damage the Project, or the Principal Members or the Academy repair any such damage.

Section 6.4. Insurance. (a) The Principal Members shall continuously maintain or cause the Academy to maintain such insurance as may be required from time to time and pay all premiums when due to insure against such risks as are customarily insured against by public bodies for facilities and equipment similar in size and character to the Project, including, without limitation:

(i) insurance in the amount of at least the full replacement cost of the Project against loss or damage to the Project with broad form extended coverage endorsements covering such risks as are normally covered by such endorsements, provided that during the period of acquisition, construction and equipping of the Project, the Principal Members may provide builders' risk or a similar type of insurance in the amount of the full replacement cost of the Project;

(ii) insurance against liability for bodily injury, including death resulting therefrom, and against liability for damage to property, arising out of the ownership maintenance or use of the Project; and

(iii) unless the Principal Members or the Academy are self-insured under the laws of Virginia, workmen's compensation insurance with respect to the Project.

(b) In lieu of separate policies the Principal Members may maintain or cause the Academy to maintain blanket or umbrella policies having the same coverage as required by this Section. The policies described in subsections (i) and (ii) above shall name the Trustee and the Authority as additional insureds as their interests may appear. The Principal Members shall have or cause the Academy to have an annual review of its insurance coverage with respect to the Project conducted by an insurance consultant selected by the Principal Members or the Academy, who is knowledgeable in the insurance business. Such review shall indicate that the policies required under this Section are in full force and effect and that the amounts and types of insurance comply with and satisfy all of the requirements of this Section, or, if any additional insurance coverage is required to comply with this Section, specifying the types and amounts of any such insurance. If any of the insurance required by this Section is provided through a self-insurance program, the insurance consultant's report shall include an actuarial report showing sufficient reserves to fund the self-insurance program.

Section 6.5. Net Lease. This Financing Lease will be deemed and construed to be a net lease, and during the Lease Term the Principal Members will pay absolutely net throughout the Lease Term the Rental Payments and all other payments required under this Financing Lease, free of any or all deductions, diminutions and set-offs, and without abatement for casualty, loss of title, condemnation or any other reason.

Section 6.6. Advances by Authority or Trustee. If the Principal Members fail to make any payment or perform any act required of them under this Financing Lease, the Authority or the Trustee, without prior notice to or demand upon the Principal Members and without waiving or releasing any obligation or default, may (but will be under no obligation to) make the payment or perform the act. All amounts so paid by the Authority or the Trustee and all costs, fees and expenses so incurred as to such payment and performance will, together with interest at the highest annual rate borne by any of the Bonds, be payable by the Principal Members as Additional Rent.

Section 6.7. Trustee's Rights to Enforce Payment. The Principal Members acknowledge and consent to the provisions of Section 9.5 of the Indenture which permits the Trustee in its name or in the name of the Authority to enforce on behalf of the Owners of the Bonds all rights of the Authority and all obligations of the Principal Members under and pursuant to this Financing Lease providing for any payment to be made by the Principal Members under this Financing Lease.

Section 6.8. Disposition of Project. Except for easements permitted under Section 6.9, the Principal Members will have no right to dispose of any interest in the Project unless it delivers to the Authority and the Trustee the following:

(a) A certificate of the Principal Members or their designee, the Academy Director, signed by their chief administrative officer or the Academy Director, stating that the proceeds from the disposition will be (i) applied to the purchase of additional real or personal property to become part of the Project or (ii) deposited with the Trustee in the Bond Fund; and

(b) A certificate of such official to the effect that the disposition, together with any substitution of additional real or personal property becoming part of the Project, (i) will not adversely affect the usefulness of the Project or any part of it or its intended purpose or deprive the Principal Members or the Academy of any real or personal property needed for access to or operation of the Project and (ii) will not materially impair access to and from the Project.

Upon receipt of the above, so long as the Principal Members are not in default under this Financing Lease, the Authority will release from this Financing Lease and convey to the Principal Members or their designee the real estate to be disposed of but only after any real estate that is to be substituted for it has been conveyed to the Authority and been subjected to this Financing Lease, the Assignment of Rents and Leases and the Deed of Trust.

Section 6.9. Granting of Easements. At the request of the Principal Members, or the Academy as their designee, if the Principal Members are not in default under this Financing Lease, the Authority will grant such easements, licenses, rights-of-way (including the dedication of public highways) and other rights or privileges in the nature of easements with respect to the Real Estate which constitute a Permitted Encumbrance, free from the lien of this Financing Lease, the Assignment of Rents and Leases and the Deed of Trust, or release existing easements, licenses, rights-of-way and other rights or privileges, with or without consideration, provided that the Principal Members deliver to the Authority and the Trustee the following in form reasonably acceptable to the Trustee.

(1) A copy of the proposed instrument of grant or release;

(2) A written application signed by their chief administrative officers or their designee requesting the Authority to execute the instrument; and

(3) A certificate of their chief administrative officers or their designee stating that the grant or release will not impair the effective use or interfere with the operation of the Project for the purpose for which it is then being used or is intended to be used and will not destroy or materially impair the means of ingress or egress to and from the Project.

Upon receipt of the above items, the Authority will promptly execute and deliver any and all instruments necessary or appropriate to confirm and grant any easement, license, right-of-way or other right or privilege and to release them from the lien of this Financing Lease, the Assignment of Rents and Leases and the Deed of Trust.

## ARTICLE VII

### DAMAGE, DESTRUCTION OR CONDEMNATION

Section 7.1. Damage, Destruction or Condemnation. The Principal Members and the Academy agree to notify the Authority and the Trustee immediately in the case of damage, destruction or loss of all or any portion of the Project during the Lease Term as a result of fire or other casualty or condemnation or loss of title in the amount that the Principal Members and the Academy determine in good faith will cost more than \$250,000 to repair, reconstruct and restore. If the Principal Members and the Academy determine in good faith that the cost of such repair, reconstruction or restoration is not in excess of \$250,000, the Principal Members and the Academy will retain the Net Proceeds and promptly repair, reconstruct and restore the Project to substantially the same condition as before the damage, destruction, condemnation or loss of title, with such alterations and additions as the Principal Members and the Academy may determine and which will not impair the capacity or character of the Project for its intended use. If the cost of repairing, reconstructing and restoring the Project is determined by the Principal Members and the Academy in good faith to exceed \$250,000, the Principal Members and the Academy will pay the Net Proceeds to the Trustee, to be held in the Project Fund and disbursed in accordance with Section 7.2 of the Indenture to promptly repair, reconstruct and restore the Project to substantially the same condition as before the damage, destruction, loss of title or condemnation with such alterations and additions as the Principal Members and the Academy may determine and which will not impair the capacity or character of the Project for its intended use. If the Net Proceeds are not sufficient to pay in full the costs of such repair, reconstruction and restoration, the Principal Members will pay any excess costs.

The Principal Members may apply Net Proceeds to the prepayment of Basic Rent to be applied to the extraordinary optional redemption of the Bonds (i) in whole, but only if such Net Proceeds are equal to at least three-fourths of the outstanding principal amount of the Bonds and (ii) in part, but only if the Principal Members provide a written certification to the Trustee, signed by the Academy Director on their behalf or such other designee, to the effect that the Principal Members are unable to repair, reconstruct or restore the Project. The Principal Members shall pay any Net Proceeds which they elect to apply to prepayment of Basic Rent to the Trustee to be deposited in the Bond Fund. If the Principal Members elect to prepay the Basic Rent in whole and the Net Proceeds are insufficient for such purposes, the Principal Members shall pay to the Trustee, for deposit in the Bond Fund, any amounts necessary to prepay all amounts of Basic Rent. The Principal Members agree that, if by reason of any such deficit they shall make any payment pursuant to this paragraph, they shall not be entitled to any reimbursement therefor from the Authority or the Trustee nor shall they be entitled to any reduction in the rental payments or other amounts payable by them pursuant to this Financing Lease. Any balance of insurance proceeds remaining after payment of the cost of such repair or restoration shall belong to the Principal Members.

Section 7.2. No Abatement of Rent. Damage, destruction, condemnation or loss of title of the Project shall in no way annul or void this Financing Lease or give rise to an abatement of the rent and the amounts payable under this Financing Lease or release the Principal Members from their obligations under this Financing Lease.

## ARTICLE VIII

### SPECIAL COVENANTS

Section 8.1. Principal Members' Right to Possession. Except as otherwise provided in this Financing Lease as to use by the Academy, the Principal Members will be in sole possession of the Project during the Lease Term.

Section 8.2. Quiet Enjoyment. The Authority makes no representation or covenant that the Principal Members will have quiet and peaceful possession of the Project, except that the Project is and will remain free from encumbrances, other than Permitted Encumbrances, done, made or knowingly suffered by the Authority or anyone claiming by, through or under it.

Section 8.3. Right of Inspection. The Authority and the Trustee and their respective duly authorized agents have such rights of access to the Project as may be reasonably necessary

for the proper maintenance of the Project in the event of the Principal Members' failure to perform their obligations under Section 6.1. The Authority, the Trustee and their duly authorized agents have the right at all reasonable times to enter upon, examine and inspect any part of the Project and to examine the books and records of the Principal Members or the Academy insofar as they relate to the operations and maintenance of the Project.

Section 8.4. Covenant Not to Affect Tax-Exempt Status of Bonds . (a) The Principal Members agree that so long as they lease the Project under this Financing Lease, they will not take any action nor permit any of their agencies or departments to take any action with respect to the Project which will adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income taxation, including without limitation any action that would result in either (i) ten percent (five percent or more with respect to unrelated use) or more of the gross proceeds of the Bonds being considered as having been used directly or indirectly in any trade or business carried on by any person other than a governmental unit as provided in Section 141(b) of the Code, if more than ten percent (five percent with respect to payments derived from unrelated business use) of the debt service on the Bonds is derived from payments with respect to private business use or (ii) five percent or more of such proceeds being considered as having been used directly or indirectly to make or finance loans to any person other than a governmental unit as provided in Section 141(c) of the Code.

(b) Without limiting the generality of the foregoing, the Principal Members will, at their sole expense, and shall cause the Academy to take all action required under Section 148 of the Code and applicable regulations to prevent loss of the exclusion from federal income taxation of interest on the Bonds, including, but not limited to (i) paying on behalf of the Authority the "rebate amount" to the United States in accordance with the "rebate requirement" described in Section 148 of the Code and applicable regulations; (ii) determining on behalf of the Authority, pursuant to such regulations the "rebate amount" and retaining records of all such determinations until six years after Payment of the Bonds, and (iii) complying with any requirements contained in any applicable Treasury Regulations.

(c) Neither the Principal Members nor the Authority will (i) knowingly take any action, or approve the Trustee's making any investment or use of the proceeds of any Bonds or taking any other action, which would cause any Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and the applicable regulations or (ii) barring unforeseen circumstances, use or approve the use of the proceeds from the sale of any Bonds otherwise than in accordance with the

Authority's "non-arbitrage" certificate given immediately before the issuance and delivery of the Bonds.

Section 8.5. Mechanics' and Other Liens. The Principal Members will not permit any mechanics' or other liens incurred by them or on their behalf or by or on behalf of the Academy to be established or remain against the Project, except that the Principal Members may, upon ten days' notice from their Chief Administrative Officers or the Academy Director on their behalf to the Authority and the Trustee of their intention to do so, at their own expense and in their own name or in the name of the Authority, contest in good faith any lien, in which event the Principal Members may permit the lien to remain unsatisfied and undischarged during the period of the contest and any appeal unless, in the opinion of the Trustee, the action may result in the loss or forfeiture of any rights of the Authority or the Trustee under the Indenture or this Financing Lease, in which event the lien will be promptly satisfied or secured by posting with the Trustee or an appropriate court of record a bond in form and amount satisfactory to the Authority and the Trustee.

Section 8.6. Recording and Filing. The Principal Members will, at their expense, record a counterpart of the Lease, this Financing Lease, the Assignment of Rents and Leases and the Deed of Trust in the Office of the Clerk of the Circuit Court of the County of Loudoun, Virginia, on or before the date of delivery of the Bonds or will cause the Academy to undertake such recording.

Section 8.7. Notice of Appropriation. If rental revenue from subleasing the Project to the Academy or from the Academy's operation thereof is insufficient to make Rental Payments hereunder in any Fiscal Year and the Principal Members have not made appropriations sufficient to cure such deficit, the Principal Members shall promptly give notice of the amount of the deficit to the Trustee and shall notify the Trustee by no later than June 30 of each year, of the amount appropriated by their governing bodies to make Rental Payments coming due for the Fiscal Year commencing the immediately following July 1.

## ARTICLE IX

### ASSIGNMENT, SALE, ENCUMBRANCE AND SUBLETTING

Section 9.1. No Assignment, Sale or Encumbrance by Principal Members. The Principal Members will not sell, assign or otherwise dispose of or encumber its interest in the Project except as provided in Sections 6.8, 6.9 and 9.2.

Section 9.2. Subletting by Principal Members. (a) Except for the sublease of the Project to the Academy and the sublease of approximately 19,217 square feet of currently excess space to

a suitable tenant to be chosen by the Academy which is hereby approved, the Principal Members may sublease space in the Project with the consent of the Authority and the Trustee (which consent will not be unreasonably withheld); provided, however, that no sublease will be made if it would (i) have any adverse effect upon or affect or reduce the Principal Members' obligations under this Financing Lease, (ii) be to a party that could not under the Act be the lessee from the Authority of all or any portion of the Project, or (iii) be contrary to law.

(b) Before any sublease is made, other than a sublease to the Academy, the Principal Members will cause to be delivered to the Authority and the Trustee an opinion of Bond Counsel that the use of the Project by the sublessee will not cause the interest on any of the Bonds then outstanding to be included in gross income for purposes of federal income taxation.

(c) No sublease, including the subleases approved herein, will relieve the Principal Members from primary liability for any of their obligations under this Financing Lease, and the Principal Members will continue to remain primarily liable for the payment of Rental Payments and for the observance and performance of all of their other agreements under this Financing Lease.

(d) Each sublessee pursuant to this Section will agree to attorn to the Authority and any other successor in interest to the Authority (whether pursuant to this Financing Lease, the Indenture or otherwise).

(e) The Principal Members will promptly deliver executed counterparts of each sublease pursuant to this Section to the Authority and the Trustee.

## ARTICLE X

### EVENTS OF DEFAULT AND REMEDIES

Section 10.1. Events of Default. (a) An "Event of Default" or a "Default" means, whenever used in this Financing Lease, any or more of the following events:

(1) Failure by the Principal Members to pay, when due, any payments to be made under Section 5.2(a);

(2) Failure by the Principal Members to pay when due any payment to be made under this Financing Lease, other than payments under Section 5.2(a), which failure continues for a period of thirty days after notice, specifying the failure and requesting that it be remedied, is given to the Principal Members by the Authority or the Trustee;

(3) Failure by the Principal Members to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in Sections 10.1(a)(1) and 10.1(a)(2), which failure continues for a period of ninety days after notice, specifying the failure and requesting that it be remedied, is given to the Principal Members by the Authority or the Trustee, unless the Authority agrees in writing to an extension of such time; or

(4) The entering of an order or decree appointing a receiver for all or any part of the Project or of the revenues from any Project with the consent or acquiescence of the Principal Members or the entering of an order or decree without the acquiescence or consent of the Principal Members if it is not vacated, discharged or stayed within ninety days after entry.

(b) The Authority will not unreasonably withhold its consent to an extension of the time for taking corrective action under Section 10.1(a)(3) if corrective action is instituted by the Principal Members within the ninety day period and is diligently pursued until the failure is remedied.

(c) Notwithstanding anything contained in this Section to the contrary, a failure by the Principal Members to pay when due any payment required to be made under this Financing Lease or a failure by the Principal Members to observe and perform any covenant, condition or agreement on their part to be observed or performed under this Financing Lease, resulting from a failure by their governing bodies to appropriate money for such purposes after a request to appropriate in accordance with Section 5.7, will not constitute an Event of Default. Upon any such failure, the provisions of Article XI will be applicable.

Section 10.2. Remedies. (a) Whenever any Event of Default has happened and is continuing, any one or more of the following remedial actions may be taken to the extent that those actions are consistent with the Act and Article X of the Indenture, provided that either the Authority or the Trustee has given notice of the Event of Default to the Principal Members and the Event of Default has not been cured:

(1) The Authority may re-enter and take possession of all or any part of the Project without terminating this Financing Lease, exclude the Principal Members from possession of all or any part of the Project, and, for the account of the Principal Members, keep in force and effect all subleases entered into pursuant to Section 9.2 which then are outstanding and sublease all or any part of the Project which then is not already so subleased to one or more parties, in each case holding the Principal Members liable for the difference in the rent and other amounts paid by the sublessee in such

subleasing and the Rental Payments and other amounts payable by the Principal Members under this Financing Lease.

(2) The Authority may terminate this Financing Lease as to all or any part of the Project, exclude the Principal Members from possession of all or any part of the Project, and lease all or any part of the Project for the account of the Principal Members to one or more parties, holding the Principal Members liable for all Rental Payments and other amounts due under this Financing Lease and not paid by the other party.

(3) The Authority may have access to and inspect, examine and make copies of, the books, records and accounts of the Principal Members and the Academy pertaining to the Project.

(4) The Authority may take whatever action at law or in equity may appear necessary or desirable to collect the payments then due and thereafter to become due, or to enforce performance and observance of any obligation or agreement of the Principal Members under this Financing Lease, including the sale of the Project.

(b) The Authority will give notice to the Principal Members of the exercise of any of its rights or remedies under this Section in the manner provided in Section 12.7 and by telephone or telegram; provided, however, that failure to give notice by telephone or telegram will not affect the validity of the exercise of any right or remedy under this Section.

(c) Any balance of the money collected pursuant to action taken under this Section remaining after payment of all costs and expenses of collection and amounts due as Additional Rent will be paid into the Bond Fund for application to the payment of the Bonds then Outstanding in accordance with the provisions of the Indenture, or, if Payment of the Bonds has occurred, to the Principal Members.

Section 10.3. Reinstatement. Notwithstanding the exercise of any remedy granted by Section 10.2, if all arrears of the principal of and interest on the Bonds which have become due and payable otherwise than by acceleration, and all other sums payable under the Indenture, except the principal of such Bonds which by acceleration has become due and payable, have been paid, all other things have been performed in respect of which there was a default and there has been paid the reasonable fees and expenses, including administrative expenses, of the Trustee and of the Owners of such Bonds (including reasonable attorneys' fees paid or incurred) and any acceleration under the Indenture is rescinded, then the Event of Default under this Financing Lease will be waived without further action by the Trustee or the Authority. Upon such payment and waiver, this Financing Lease will be fully reinstated, as if it had never been terminated, and

the Principal Members will be restored to the use, occupancy and possession of the Project, except any portion of the Project which has been sold or with respect to which the Authority has entered into a firm bilateral agreement providing for its lease for a period of at least one year.

Section 10.4. No Remedy Exclusive. No remedy conferred upon or reserved to the Authority or the Trustee in this Financing Lease is intended to be exclusive of any other available remedy, but each remedy will be cumulative and will be in addition to every other remedy given under this Financing Lease or now or hereafter existing at law, in equity or by statute. No delay or omission in exercising any right or power accruing upon any Event of Default will impair or will be construed to be a waiver of any right or power, but any right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority or the Trustee to exercise any remedy reserved to it in this Article, it will not be necessary to give any notice, other than such notice as may be expressly required under this Financing Lease.

Section 10.5. No Additional Waiver Implied by One Waiver. If any agreement contained in this Financing Lease should be breached by either party and thereafter waived by the other party, the waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach under this Financing Lease.

Section 10.6. Attorneys' Fees and Other Expenses. The Principal Members will on demand pay or cause the Academy to pay to the Authority and the Trustee the reasonable fees of attorneys and other reasonable expenses incurred by either of them in the collection of Rental Payments, the enforcement of any other obligation of the Principal Members or in carrying out any of their respective obligations under this Financing Lease and will pay on demand legal expenses and fees properly incurred in connection with the issuance of the Bonds.

## ARTICLE XI

### TERMINATION OF FINANCING LEASE

Section 11.1. Termination of Financing Lease by Authority. If, as a result of a failure of the Principal Members to appropriate money for such purposes, the Principal Members are unable to pay when due the amounts required to be paid under this Financing Lease or the Principal Members are unable to observe and perform any covenant or agreement on its part to be observed or performed under this Financing Lease, the Authority, or the Trustee on behalf of the Authority, will have the right to terminate this Financing Lease. In order to exercise the right

to terminate this Financing Lease, the Authority must give thirty days' notice to the Principal Members of the exercise of its rights pursuant to this Section and the date for the termination.

Section 11.2. Right to Lease or Sell Project. Upon the exercise of its right to terminate this Financing Lease pursuant to Section 11.1, the Authority, or the Trustee on behalf of the Authority, may exclude the Principal Members from possession of the Project and lease or sell all or any part of the Project to one or more parties. Any proceeds from any lease or sale of the Project will be applied in accordance with the Indenture. {^}

Section 11.3. Reinstatement. Notwithstanding any termination of this Financing Lease by the Authority, or the Trustee on behalf of the Authority, in accordance with the provisions of Section 11.1, if all arrears of the principal of and interest on the Bonds which have become due and payable otherwise than by acceleration, and all other sums payable under the Indenture, except the principal of such Bonds which by any acceleration has become due and payable, have been paid, all other things have been performed in respect of which there was a default and there has been paid the reasonable fees and expenses, including administrative expenses, of the Trustee and of the Owners of such Bonds (including reasonable attorneys' fees paid or incurred) and any acceleration under the Indenture is rescinded, and if the Principal Members have agreed to pay or provide for the payment of amounts under this Financing Lease and if the Principal Members observe or perform or agree to observe or perform all covenants or agreements on their part to be observed or performed under this Financing Lease, this Financing Lease will be fully reinstated, as if it had never been terminated, and the Principal Members will be restored to the use, occupancy and possession of the Project, except any portion of the Project that has been sold or with respect to which the Authority has entered into a firm bilateral agreement providing for its lease for a period of at least one year.

## ARTICLE XII

### MISCELLANEOUS

Section 12.1. Successors and Assigns. This Financing Lease is binding upon, inures to the benefit of and is enforceable by the parties and their respective successor and assigns, subject, however, to the provisions of Section 9.1 and 9.2.

Section 12.2. Severability. If any provision of this Financing Lease is held invalid by any court of competent jurisdiction, the holding will not invalidate any other provision.

Section 12.3. Amendments. This Financing Lease may not be amended before Payment of the Bonds except as provided in Article XIII of the Indenture.

Section 12.4. Amounts Remaining Under Indenture. It is agreed by the parties to this Financing Lease that any amount with respect to the Bonds remaining in any fund or account created under the Indenture will, after Payment of the Bonds and the fees, charges and expenses of the Trustee, the Deed of Trust Trustees and the Authority in accordance with the Indenture, belong to and be paid to the Principal Members.

Section 12.5. Governing Law. This Financing Lease will be governed by the laws of the Commonwealth.

Section 12.6. Counterparts. This Financing Lease may be simultaneously executed in several counterparts, each of which will be an original and all of which taken together will constitute one and the same instrument.

Section 12.7. Notices. Unless otherwise provided in this Financing Lease, all demands, notices, approvals, consents, requests, opinions and other communications under this Financing Lease must be in writing and will be deemed to have been given when delivered in person, or by Federal Express or a comparable express courier service, or when mailed by registered or certified mail, postage prepaid, addressed (i) if to the Principal Members, City of Alexandria, 301 King Street, Alexandria, Virginia 22313, Attention: City Manager; County of Arlington, 2100 Clarendon Boulevard, Arlington, Virginia, Attention: County Manager, County of Loudoun, 18 North King Street, Leesburg, Virginia 22075, Attention: County Administrator, (ii) if to the Authority, c/o Stephen P. Robin, Esquire, One North King Street, Leesburg, Virginia 22075, Attention: Chairman, or (iii) if to the Trustee, at 919 East Main Street, Richmond, Virginia 23219 (Attention: Corporate Trust Department). A duplicate copy of each demand, notice, approval, consent, request, opinion or other communication given under this Financing Lease by either the Authority or the Principal Members to the other will also be given to the Trustee. The Authority, the Principal Members and the Trustee may, by notice given under this Financing Lease, designate any additional or different addresses or persons to which subsequent demands, notices, approvals, consents, requests, opinions or other communications are to be sent.

Section 12.8. Liability of Authority. Notwithstanding any provision of the Bonds or the Basic Documents to the contrary, the obligations of the Authority under the Bonds and the Basic Documents are not general obligations of the Authority, but are limited obligations payable solely from the revenues which are specifically pledged for such purpose. Neither the Bonds nor the

Basic Documents will be deemed to create or constitute a debt or a pledge of the faith and credit of the Commonwealth of Virginia or any political subdivision thereof, including the Principal Members, and neither the Commonwealth of Virginia nor any political subdivision thereof, including the Authority, is obligated to pay the Bonds or the interest thereon or other costs incident thereto except from the special funds pledged therefor and the property pledged or mortgaged therefor.

IN WITNESS WHEREOF, the parties have caused this Financing Lease to be executed on their behalf by their duly authorized officers.

INDUSTRIAL DEVELOPMENT AUTHORITY  
OF LOUDOUN COUNTY, VIRGINIA

By: \_\_\_\_\_  
Chairman

CITY OF ALEXANDRIA, VIRGINIA

By: \_\_\_\_\_  
Its: \_\_\_\_\_

COUNTY OF ARLINGTON, VIRGINIA

By: \_\_\_\_\_  
Its: \_\_\_\_\_

COUNTY OF LOUDOUN, VIRGINIA

By: \_\_\_\_\_  
Its: \_\_\_\_\_



COMMONWEALTH OF VIRGINIA )  
 )  
 )  
\_\_\_\_\_

The foregoing instrument was acknowledged before me in the jurisdiction aforesaid, the \_\_\_\_ day of \_\_\_\_\_, 1993, by \_\_\_\_\_, as County Manager of the County of Arlington, Virginia, on behalf of the County.

My Authority Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

COMMONWEALTH OF VIRGINIA )  
 )  
 )  
\_\_\_\_\_

The foregoing instrument was acknowledged before me in the jurisdiction aforesaid, the \_\_\_\_ day of \_\_\_\_\_, 1993, by \_\_\_\_\_, as County Administrator of the County of Loudoun, Virginia, on behalf of the County.

My Authority Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

COMMONWEALTH OF VIRGINIA )  
 )  
 )  
\_\_\_\_\_

The foregoing instrument was acknowledged before me in the jurisdiction aforesaid, the \_\_\_\_ day of \_\_\_\_\_, 1993, by \_\_\_\_\_, as Chairman of the Northern Virginia Criminal Justice Academy, on behalf of the Academy.

My Authority Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public



EXHIBIT A

DESCRIPTION OF REAL ESTATE

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