

STEVE HALL
REGISTER OF DEEDS
KNOX COUNTY

THIS INSTRUMENT PREPARED BY:
R. CULVER SCHMID
LONG, RAGSDALE & WATERS, P.C.
1111 NORTHSHORE DRIVE
SUITE S-700
KNOXVILLE, TN 37919-4074

MEMORANDUM OF LEASE

THIS MEMORANDUM OF LEASE, dated as of August 1, 2005 (hereinafter "this Memorandum") between THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF KNOXVILLE ("Lessor"), having a mailing address of c/o Robin Holt, 17 Market Square, Suite 201, Knoxville, Tennessee 37902-1405 and PRESERVATION PUBLIC LLC, a Tennessee limited liability company ("Lessee"), having a mailing address of 22 Market Square, Knoxville, Tennessee 37902.

WITNESSETH:

WHEREAS, Lessor and Lessee entered into a Lease dated as of the date hereof (the "Lease"), whereby certain property (the "Leased Property") consisting of the parcel of land described on Exhibit A attached hereto and the improvements thereon was demised unto Lessee; and

WHEREAS, Lessor and Lessee desire to enter into this Memorandum of Lease, which is to be recorded in order that third parties may have notice of the estate of Lessee in the Leased Property.

NOW, THEREFORE, Lessor, in consideration of the rents and covenants provided for in the Lease to be paid and performed by Lessee, does hereby demise and let unto Lessee the Leased Property on the terms and subject to the conditions set forth in the Lease. The term of this Memorandum shall commence on August 1, 2005 and continue until July 31, 2015.

All the terms, conditions, provisions, and covenants of the Lease are incorporated in this Memorandum of Lease by reference as though written out at length herein. Copies of the Lease are held by both Lessor and Lessee at their respective addresses first set forth above.

Lessee has an exclusive and irrevocable option to purchase the Leased Property on the terms and conditions set forth in the Lease.

This Memorandum of Lease may be executed in any number of separate counterparts. All of such counterparts, when so executed and delivered, shall be deemed to be originals and shall together constitute one document.



IN WITNESS WHEREOF, the parties hereto have set their hands or caused this instrument to be executed as of the day and date first above written.

**THE INDUSTRIAL DEVELOPMENT BOARD OF
THE CITY OF KNOXVILLE**

By: 
Name: Alex Fischer
Title: Chairman

PRESERVATION PUBLIC LLC

By: 
Name: Bernadette West
Title: Chief Manager

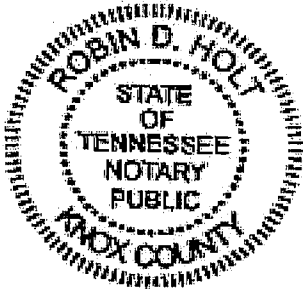
STATE OF TENNESSEE)
)
COUNTY OF KNOX)

Before me, the undersigned authority, a Notary Public with and for the State and County aforesaid, personally appeared Alex Fischer, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who upon his oath acknowledged himself to be the Chairman of THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF KNOXVILLE, the within-named bargainer, a public not-for-profit corporation, and that he, as such Chairman, executed the foregoing instrument for the purpose therein contained by signing the name of said corporation as such officer.

WITNESS my hand and official seal this 14 day of August, 2005.

Robin D. Holt
Notary Public

My Commission Expires:
Sept. 3 2008



STATE OF TENNESSEE)
)
COUNTY OF KNOX)

Personally appeared before me the undersigned authority, a Notary Public in and for said County and in said State, Bernadette West, with whom I am personally acquainted, and who, upon oath, acknowledged herself to be the Chief Manager of **PRESERVATION PUBLIC LLC**, the within-named bargainer, a Tennessee limited liability company, and that she as such Manager, being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing the name of the company by herself as its Manager.

Witness my hand and official seal this 1st day of August, 2005.

Robin D. Holt
Notary Public

My Commission Expires:

Sept. 3, 2008



EXHIBIT A

(Description of Property)

SITUATED in District No. 4 of Knox County, Tennessee, and within the 6th Ward of the City of Knoxville, Tennessee, and being known and designated as Lot 19R, in the Resubdivision of Lots 19, 20, 21 and 22, of Swan & Mabry Addition, as shown by map recorded as Instrument No. 200303240084555, in the Knox County Register's Office, said lot being more fully bounded and described by map, to which map specific reference is hereby made for a more particular description.

BEING the property conveyed by Quit Claim Deed dated May 9, 2003, from Scott and Bernadette West to Lessee recorded with the Knox County Register of Deeds at Instrument No. 200305120102834.



LEASE

FROM

THE INDUSTRIAL DEVELOPMENT BOARD OF

CITY OF KNOXVILLE

(a Tennessee public nonprofit corporation)

TO

PRESERVATION PUBLIC LLC

DATED AS OF AUGUST 1, 2005

**This instrument prepared by:
R. Culver Schmid
Long, Ragsdale & Waters, P.C.
1111 Northshore Drive, NW, Suite S-700
Knoxville, Tennessee 37919**

LEASE

This Lease, made and entered into as of the 1st day of August, 2005, by and between **THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF KNOXVILLE**, a public nonprofit corporation organized and existing under the laws of the State of Tennessee ("Lessor"), and **PRESERVATION PUBLIC LLC** ("Lessee").

WITNESSETH:

WHEREAS, Lessor is a public nonprofit corporation and a public instrumentality of the City of Knoxville, Tennessee, and is authorized under Sections 7-53-101 to 7-53-311, inclusive, Tennessee Code Annotated, as amended (the "Act"), to acquire, whether by purchase, exchange, gift, lease, or otherwise, and to own, lease and dispose of properties for certain purposes identified in the Act;

WHEREAS, in order to encourage Lessee to construct and rehabilitate an approximately 26,300 square foot residential and commercial buildings located at 16 – 22 Market Square, Knoxville, Tennessee, thereby furthering the purposes of the Act, Lessor desires to lease to Lessee and Lessee desires to rent from Lessor certain real property hereinafter more particularly described, on the terms and conditions set forth herein;

WHEREAS, the City Council of the City of Knoxville, Tennessee, authorized the Lessor to negotiate and accept from Lessee payments in lieu of ad-valorem taxes pursuant to Resolution No. R-377-03 approved September 10, 2003; and

NOW, THEREFORE, Lessor, for and in consideration of the payments hereinafter stipulated to be made by Lessee, and the covenants and agreements hereinafter contained to be kept and performed by Lessee, does by these presents demise, lease and let unto Lessee, and Lessee does by these presents hire, lease and rent from Lessor, for the Term (as defined below) and upon the conditions hereinafter stated, the premises described in Exhibit A attached hereto, together with all facilities and improvements now existing or hereafter constructed thereon by Lessee or otherwise;

UNDER AND SUBJECT, however, to deed restrictions, covenants, easements, reservations, rights of way and other encumbrances existing as of the date hereof and any other encumbrance hereafter existing that is not created by Lessor; and

UNDER AND SUBJECT to the following terms and conditions:

ARTICLE I

Definitions

Section 1.01. In addition to the words, terms and phrases elsewhere defined in this Lease, the following words, terms and phrases as used in this Lease shall have the following respective meanings:

"Act" shall mean Sections 7-53-101 to 7-53-311, inclusive of Tennessee Code Annotated, as amended.

"Basic Rent" shall mean the amounts described in Section 4.01.

"Improvements" shall mean the approximately 26,300 square foot building to be constructed or rehabilitated on the Leased Land to contain approximately 11 residential units and 5 commercial spaces.

"Lease" shall mean this instrument as originally executed or as it may from time to time be supplemented or amended by one or more instruments supplemental hereto.

"Leased Land" shall mean the real property located at 16 – 22 Market Square, Knoxville, Tennessee and described in Exhibit A attached hereto.

"Leased Premises" shall mean the Leased Land together with the buildings and related improvements or fixtures constructed or to be constructed on the Leased Land.

"Lessee" shall mean Greater Knoxville Chamber of Commerce.

"Lessor" shall mean The Industrial Development Board of the City of Knoxville, a Tennessee public nonprofit corporation.

"Tax Year" shall mean each annual period beginning on January 1 of each year and ending on December 31 of that year.

"Term" shall mean the term described in Article III hereof.

ARTICLE II

Representations of Lessee

Lessee makes the following representations and warranties to induce Lessor to enter into this Lease:

(a) Lessee is a limited liability company duly formed and existing under the laws of the State of Tennessee, authorized to conduct business in the State of Tennessee and is in good

standing under Tennessee law, with full power and authority to enter into this Agreement and to perform all obligations contained herein and therein, and has, by proper action, been duly authorized to execute and deliver this Lease and, when executed and delivered by the parties thereto, this Lease will constitute the valid and binding obligation of Lessee enforceable in accordance with its terms.

(b) Neither the execution and delivery of this Lease, nor the consummation of the transactions contemplated herein by Lessee, nor the fulfillment of or compliance with the terms and conditions of this Lease, does or will conflict with or result in a breach of the terms, conditions or provisions of any restriction or internal governing document of Lessee or any agreement or instrument to which Lessee is now a party or by which it is bound, or any existing law, rule, regulation, judgment, order or decree to which it is subject, or constitutes a default under any of the foregoing or, except as contemplated hereby, results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of Lessee under the terms of any instrument or agreement.

(c) There are no proceedings pending, or to the knowledge of Lessee threatened, against or affecting Lessee in any court or before any governmental authority, arbitration board or tribunal which involve the possibility of materially and adversely affecting the properties, business, prospects, profits or condition (financial or otherwise) of Lessee, or the ability of Lessee to perform its obligations under this Lease. Lessee is not in default with respect to an order of any court, governmental authority, arbitration board or tribunal.

(d) No event has occurred and no condition exists with respect to Lessee that would constitute an Event of Default under this Lease, or which, with the lapse of time or with the giving of notice, or both, would become such an Event of Default.

(e) There are no substances, materials, wastes, pollutants or contaminants located on the Leased Premises that are regulated under any environmental law or regulation except those materials and substances that are maintained in compliance with such laws and regulations, and Lessee shall not permit any such substances, materials, wastes, pollutants or contaminants to exist on the Leased Premises during the Term of this Lease except in compliance with such laws and regulations. Prior to the execution of this Lease, Lessee has delivered to Lessor a report prepared by an independent third party relating to the environmental status of the Leased Premises, and Lessee is unaware of any environmental condition on the Leased Premises not described in that report.

ARTICLE III

Lease Term

Subject to the provisions contained in this Lease, this Lease shall be in full force and effect for a Term commencing on August 1, 2005 and ending ten (10) years thereafter on July 31, 2015, unless previously terminated as provided below.

ARTICLE IV

Rent

Section 4.01. Basic Rent. Lessee will pay to Lessor without notice or demand, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, as Basic Rent: (1) all costs and expenses incurred by Lessor in connection with its obligations described herein including but not limited to attorney fees and expenses incurred by Lessor in connection with this Lease and (2) on August 1, 2006 and each August 1 thereafter during the Term, the sum of \$1.00.

Section 4.02. Additional Rent. Lessee agrees, as additional rent, to complete the construction of Improvements contemplated in Article XI of this Lease and to pay all other amounts, liabilities and obligations which Lessee herein assumes or agrees to pay. Without limiting the foregoing, Lessor and Lessee recognize that the Leased Premises have been conveyed to Lessor's predecessors subject to a Deed of Trust, Assignment of Rents and Security Agreement dated October 31, 2003, granted by Lessor to Cardinal Enterprises, Inc. recorded with the Knox County Register of Deeds at Instrument No. 200312310066341 securing the financing of the Leased Premises. Lessee agrees to make all payments of debt service relating to such financing, and such payments shall constitute additional rent hereunder. In the event of any failure on the part of Lessee to pay any amounts, liabilities or obligations described in this paragraph, Lessor shall have all rights, powers and remedies provided for herein or by law or equity or otherwise in the case of nonpayment of the Basic Rent.

ARTICLE V

Compliance with Laws; Permitted Contests; Lessee's Acceptance of Leased Premises

Section 5.01. Compliance with Laws. Lessee shall throughout the Term and at no expense to Lessor promptly cure any violations under all laws, ordinances, orders, rules, regulations and requirements of duly constituted public authorities, which are or shall become applicable to the Leased Premises, the repair and alteration thereof, and the use or manner of use of the Leased Premises, whether or not such laws, ordinances, orders, rules, regulations and requirements are foreseen or unforeseen, ordinary or extraordinary, and whether or not they shall involve any change of governmental policy or shall require structural or extraordinary repairs, alterations or additions, irrespective of the cost thereof; provided, however, that Lessee, in lieu of compliance with such laws, orders, rules, regulations and requirements, or the making of such additions, changes or alterations, may, at its option, exercise its right to purchase the Leased Premises, as provided below and, in such event shall have no further liability hereunder.

Section 5.02. Permitted Contests. Lessee shall not be required to comply or cause compliance with the laws, ordinances, orders, rules, regulations or requirements referenced in

Section 5.01, so long as Lessee shall, at Lessee's expense, contest the same or the validity thereof in good faith, by appropriate proceedings. Such contest may be made by Lessee in the name of Lessor or of Lessee, or both, as Lessee shall determine and Lessor agrees that it will, at Lessee's expense, cooperate with Lessee in any such contest to such extent as Lessee may reasonably request. It is understood, however, that Lessor shall not be subject to any liability for the payment of any costs or expenses (including attorneys' fees) in connection with any such proceeding brought by Lessee, and Lessee covenants to pay, and to indemnify and save harmless Lessor from, any such costs or expenses.

Section 5.03. Acceptance of Leased Premises. Lessee acknowledges that it has examined the Premises described in Exhibit A attached hereto and the state of Lessor's title thereto prior to the making of this Lease and knows the condition and state thereof, including, without limitation, the environmental and soil conditions, as of the first day of the term of this Lease, and accepts the same in said condition and state; that no representations as to the condition or state thereof have been made by representatives of Lessor, and that in entering into this Lease, Lessee is relying solely upon its own examination thereof.

ARTICLE VI

Title and Tax Benefits

Section 6.01. No Conveyance of Title by Lessor. Lessor covenants and agrees that, except as set forth herein, during the Term of this Lease, it will not convey, or suffer or permit the conveyance of, by any voluntary act on its part, its title to the Leased Premises to any person, firm, corporation, or other entity whatsoever, irrespective of whether any such conveyance or attempted conveyance shall recite that it is expressly subject to the terms of this Lease unless such conveyance is consented to, in writing, by Lessee. Lessor will not create any lien, encumbrance or charge upon its interest in the Leased Premises except for any such lien, encumbrance or charge otherwise created by this Lease or consented to, in writing, by Lessee.

Section 6.02. Tax Benefits. During the Term, Lessee shall be entitled to all benefits under federal and state tax laws attributable to the ownership of the Leased Premises, including, without limitation, the right to claim deductions for depreciation and the right to claim any tax credits attributable to the Leased Premises.

ARTICLE VII

Taxes and Other Charges

Section 7.01. Taxes and Other Governmental Charges. Lessee agrees, subject to the provisions of Section 7.04, to pay and discharge, as additional rent, punctually as and when the same shall become due and payable without penalty, all ad valorem taxes that at any time from the date hereof and during the Term shall be or become due and payable by Lessor or Lessee and that shall be levied, assessed or imposed upon, or that shall be or become liens upon, the Leased

Premises or any portion thereof or any interest of Lessor or Lessee therein, under and by virtue of any present or future law, statute, regulation or other requirement of any governmental authority.

Section 7.02. Lessee Subrogated to Lessor's Rights. To the extent of any payments of additional rent by Lessee under this Article VII, Lessee shall be subrogated to Lessor's rights in respect to the proceedings or matters relating to such payments, and any recovery in such proceedings or matter shall be used to reimburse Lessee for the amount of such additional rent so paid by Lessee.

Section 7.03. Utility Services. Lessee agrees that Lessor is not, nor shall it be, required to furnish to Lessee or any other user of the Leased Premises any gas, water, sewer, electricity, light, heat, power or any other facilities, equipment, labor, materials or services of any kind and Lessee agrees that it shall pay all costs and expenses related to the foregoing.

Section 7.04. Payments in Lieu of Taxes. Lessee recognizes that under present law, including specifically Section 7-53-305 of Tennessee Code Annotated, the properties owned by Lessor are exempt from all taxation in the State of Tennessee. However, as long as this Lease is in effect, Lessee agrees to make payments in lieu of taxes to the City of Knoxville, Tennessee and Knox County, Tennessee in accordance with the provisions of this Section 7.04.

For the Tax Year in which this Lease is executed, Lessee shall pay to the City of Knoxville and Knox County, respectively, the property taxes that are due with respect to the Leased Premises for that Tax Year for the period that the Leased Premises were not owned by Lessor plus payments in lieu of taxes to the City of Knoxville and Knox County equal to the difference (if any) between (a) the amount of such taxes paid to the City of Knoxville and Knox County and \$6,301.10 (with respect to the City of Knoxville) and \$5,755.42 (with respect to Knox County). Subject to the following paragraph, for each Tax Year through the final year of the Term, Lessee shall make a payment in lieu of taxes on behalf of Lessor to the City of Knoxville in the amount of \$6,301.10 and Knox County in the amount of \$5,755.42. Thereafter, if this Lease remains in effect, Lessor shall make a payment in lieu of taxes with respect to each Tax Year on behalf of Lessor to the City of Knoxville, Tennessee and Knox County, Tennessee in an amount equal to the ad valorem taxes that would otherwise be payable with respect to the Leased Premises if such Leased Premises were owned by Lessee. The estimated annual tax savings received by the Lessee during the term of the Lease are approximately \$30,000.

Any additional payment in lieu of tax paid pursuant to this paragraph shall be divided between the City of Knoxville and Knox County in the same proportion that each of their property tax rates bear to the total property tax rates of the City of Knoxville and Knox County.

Nothing contained in this Section 7.04 is intended or shall be construed to require the payment by Lessee of any greater amounts in lieu of taxes than would be payable as taxes if the Leased Premises were owned by Lessee. It is accordingly understood and agreed that the amount payable by Lessee in any year under the provisions of this Section 7.04 shall be reduced by the amount of any ad valorem taxes lawfully levied upon the Leased Premises or any part thereof, or upon Lessee's leasehold estate therein, and actually paid by Lessee pursuant to the requirements

of Section 7.01 hereof to the City of Knoxville or Knox County and to the extent that any such tax payments paid by Lessee pursuant to the requirements of Section 7.01 hereof for any year shall exceed the in-lieu-of-tax payments for such year otherwise provided in this Section 7.04 the amount payable by Lessee in any subsequent year under the provisions of this Section 7.04 shall be reduced by such excess amount.

In furtherance of the agreements in this Section, it is agreed by and between the parties hereto that Lessee in cooperation with Lessor shall cause the Leased Premises to be valued and assessed by the assessor or other official or officials charged with the responsibility of assessing privately owned commercial property in the area where the Leased Property is located at the time such privately owned property is valued or assessed. Lessee in cooperation with Lessor shall cause to be applied to the appropriate taxable value of the Leased Premises the tax rate or rates that would be applicable for state and local tax purposes if the property were then privately owned, and shall cause the county trustee or other official or officials charged with the responsibility of collecting taxes to submit annually to Lessee a statement of the taxes which would otherwise then be chargeable to the Leased Premises. The right is reserved to Lessee to the same extent as if Lessee were the owner of the Leased Premises to contest the validity or amount of any such assessment.

Notwithstanding any provision herein to the contrary, Lessee shall also pay to the City for each Tax Year that the Lease is in effect as additional payments in lieu of taxes amounts equal to the additional property taxes that would have been levied upon the Leased Premises (based upon the value of the Leased Premises once all improvements are completed and the Lessor takes fee simple title to the Leased Premises) due to the location of the Leased Premises in the Central Business Improvement District of the City.

Each payment in lieu of taxes required by this Section 7.04 (other than those described in the third paragraph above) shall be due on or before the February 28 following the Tax Year with respect to which each such payment relates, and the obligation to make any payment in lieu of taxes with respect to any Tax Year shall survive the termination of this Lease.

The payments in lieu of taxes payable hereunder shall only apply to the Leased Land and the improvements presently existing thereon as rehabilitated pursuant to Article XI hereof. In the event Lessee constructs improvements on the Leased Land other than the improvements described in Article XI hereof, Lessee shall make payments in lieu of taxes to the appropriate taxing jurisdictions with respect to such additional improvements in an amount equal to the ad valorem taxes that would otherwise be payable by Lessee if Lessee was the owner of such additional improvements unless the parties hereto agree in writing to the contrary.

Section 7.05. Permitted Contests. Lessee shall not be required to pay any tax or assessment against the Leased Premises or any part thereof, so long as Lessee shall, at Lessee's expense, contest the same or the validity thereof in good faith, by appropriate proceedings which shall operate to prevent the collection of the tax or assessment so contested or resulting from such contest and the sale of the Leased Premises or any part thereof to satisfy the same. Such contest may be made by Lessee in the name of Lessor or of Lessee, or both, as Lessee shall determine, and Lessor agrees that it will, at Lessee's expense, cooperate with Lessee in any such

contest to such extent as Lessee may reasonably request. It is understood, however, that Lessor shall not be subject to any liability for the payment of any costs or expenses (including attorneys' fees) in connection with any such proceeding brought by Lessee, and Lessee covenants to pay, and to indemnify and save harmless Lessor from, any such costs or expenses.

ARTICLE VIII

Maintenance and Repair

Lessor shall not be required to rebuild or to make any repairs, replacements or renewals of any nature or description to the Leased Premises or to make any expenditures whatsoever in connection with this Lease or to maintain the Leased Premises in any way. Lessee expressly waives the right contained in any law now or hereafter in effect to make any repairs at the expense of Lessor.

Except as provided in the next paragraph, Lessee shall keep and maintain in good order, condition and repair (including any such repair as is required due to fire, storm or other casualty) the Leased Premises and every part thereof and any and all appurtenances thereto. Lessee shall save Lessor harmless on account of claims for mechanics, materialmen's or other liens in connection with any work by Lessee, and any such liens shall exist only against Lessee's leasehold interest and shall be discharged, by bond or otherwise, within thirty (30) days after filing. Lessee shall keep and maintain the Leased Premises in accordance with all directions, rules and regulations of the proper officials of the government agencies having jurisdiction, at the sole cost and expense of Lessee.

In the event the improvements are destroyed or substantially damaged by fire, storm or other casualty, Lessee shall not be required to rebuild the improvements on the Leased Premises. In the event Lessee does not elect to rebuild the improvements on the Leased Premises in such a case, Lessee shall remove all rubble, debris, materials and any remaining improvements on the Leased Premises so that the Leased Premises are in good condition and would be ready to develop with other improvements.

ARTICLE IX

Condemnation

If during the Term, all or any part of the Leased Premises be taken by the exercise of the power of eminent domain or condemnation, Lessee shall be entitled to and shall receive the entire award for the taking. If title to or control of all of the Leased Premises shall be taken by the exercise of the power of eminent domain or condemnation, or if such use or control of a substantial part of the Leased Premises shall be taken as to result in rendering the Leased Premises undeliverable to Lessee, Lessee may terminate this Lease by giving written notice to the Lessor and thereafter shall have no further liability hereunder except as specifically provided

herein, provided, as a condition of such termination, Lessor may require Lessee to remove all or a portion of the improvements from the remaining portion of the Leased Premises.

ARTICLE X

Insurance, Indemnification and Limitation of Liability

Section 10.01. Insurance. Lessee shall carry commercial public liability insurance covering the Leased Premises and the use and occupancy of the same in a company or companies licensed to do business in Tennessee under a policy reasonably satisfactory to Lessor both as to amount and coverage and shall provide evidence of same to Lessor. Lessor shall be listed as an additional insured on such policy. Lessee shall also insure all improvements on the Leased Premises at their full replacement value, with Lessor being included as an additional insured, and Lessee shall provide evidence of same to Lessor. Any insurance proceeds from such insurance shall be applied as provided in any deed of trust pursuant to which Lessee has mortgaged the Leased Premises; provided, however, such application shall not excuse performance by Lessee of Lessee's obligations under Article VIII and provided, further, except as may be provided in such deed of trust, Lessee shall be deemed the owner of and shall be entitled to the receipt of all such insurance proceeds. Each policy described above shall contain a provision that it may not be canceled without first giving Lessor not less than thirty (30) days prior written notice.

Section 10.02. Indemnification. Lessee covenants and agrees, at its expense, to pay, and to indemnify and save Lessor and its directors, agents and employees (collectively, the "Indemnified Parties") harmless against and from any and all claims by or on behalf of any person, firm, corporation, or governmental authority, arising from the occupation, use, possession, conduct or management of or from any work or activity done in or about the Leased Premises or from the subletting of any part thereof, including any liability for violation of conditions, agreements, restrictions, laws, ordinances, or regulations affecting the Leased Premises or the occupancy or use thereof. Lessee also covenants and agrees, at its expense, to pay, and to indemnify and save the Indemnified Parties harmless against and from, any and all claims, costs or expenses arising from (i) any condition, including any environmental condition, now existing or hereafter arising, on the Leased Premises, (ii) any breach or default on the part of Lessee in the performance of any covenant or agreement to be performed by Lessee pursuant to this Lease, (iii) any act or negligence of Lessee, or any of its agents, contractors, servants, employees or licensees, or (iv) any accident, injury or damage whatever caused to any person, firm or corporation in or about the Leased Premises and from and against all costs, reasonable counsel fees, expenses and liabilities incurred in any action or proceeding brought by reason of any claim referred to in this Section. In the event that any action or proceeding is brought against any Indemnified Party by reason of any such claims, Lessee, upon notice from such Indemnified Party, covenants to resist or defend such action or proceeding. The indemnification provided shall survive termination of this Lease.

Section 10.03. Limitation of Liability. This Lease and the obligations of Lessor hereunder shall be non-recourse as to Lessor, and Lessor shall have absolutely no personal or individual liability with respect to any of the terms, covenants and conditions of this Lease. Lessee hereby

expressly agrees that it shall look solely to the equity of Lessor or its successor(s) interest in the Leased Premises for the satisfaction of any remedy of Lessee in the event of any breach by Lessor of any of the terms covenants and conditions of this Lease. This exculpation of Lessor's personal liability is absolute and without any exception whatsoever. Lessee acknowledges that Lessor is a governmental entity and is subject to the protection of the Tennessee Governmental Tort Liability Act, Tennessee Code Annotated § 29-20-101 through 29-20-408 (as amended from time to time), and nothing contained herein shall constitute a waiver or release of Lessor's rights and protections under said Act.

ARTICLE XI

Construction of Improvements; Alterations

Lessee shall have the right to construct buildings and other improvements on the Leased Land from time to time and to make additions to and alterations of any such buildings and improvements and any existing buildings and improvements. All work done in connection with such additions, alterations, improvements or construction shall be done promptly, and in good and workmanlike manner, and in compliance with all laws, ordinances, orders, rules, regulations and requirements of all federal, state and municipal governments and the appropriate departments, commissions, boards and offices thereof. Lessee shall maintain or cause to be maintained, at all times when any work is in process in connection with such additions, alterations, improvements or construction, workmen's compensation insurance covering all persons employed in connection with such work and with respect to whom death or bodily injury claims could be asserted against Lessor, Lessee or the Leased Premises.

Lessee covenants and agrees at its expense to deliver the Improvements to the Leased Land in accordance with plans that have previously been presented by Lessee to the City of Knoxville. Such facility will add additional facilities containing approximately 26,300 square feet, and the cost of such improvements is currently estimated to cost approximately \$2,000,000. It is understood and agreed that such facility, together with all other improvements or fixtures from time to time placed on the Leased Land, shall become the property of Lessor and part of the Leased Premises. The cost of the Improvements shall be treated as additional rent payable by Lessee under this Lease.

ARTICLE XII

Subletting, Assignments and Mortgaging

(a) Lessee may, without the written consent of the Lessor, sublet the Leased Premises or any part thereof for such residential and commercial purposes as are permitted by applicable laws. Lessee shall not have the right to assign or otherwise transfer its rights and interest hereunder except with the prior written consent of Lessor.

(b) Notwithstanding subsection (a) hereof, Lessee is hereby given the right, at any time and from time to time, to mortgage its leasehold estate in the Leased Premises, provided that any such leasehold mortgage shall be subject and subordinate to the rights of Lessor hereunder. As used in this Section and throughout this Lease, the noun "mortgage" shall include a deed of trust, the verb "mortgage" shall include the creation of a deed of trust, the word "mortgagee" shall include the beneficiary under a deed of trust, and the terms "foreclose" or "foreclosure" shall include a trustee's sale under a deed of trust as well as a foreclosure by judicial process.

(c) If a mortgagee shall have given Lessor, before any Event of Default shall have occurred hereunder, a written notice specifying the name and mailing address of the mortgagee, then Lessor shall not terminate this Lease by reason of the occurrence of any Event of Default hereunder unless Lessor shall have given the mortgagee a copy of its written notice to Lessee of such Event of Default addressed to the mailing address last furnished by the mortgagee, and such Event of Default shall not have been cured by said mortgagee as provided in subsections (d) and (e) below.

(d) Lessee irrevocably directs that Lessor accept, and Lessor agrees to accept, performance by any such mortgagee of any term, covenant, agreement, provision, condition or limitation on Lessee's part to be performed or observed as though performed or observed by Lessee (including, without limitation, exercise of the option to purchase the Leased Premises granted to Lessee by Section 14.01 hereof), irrespective of whether an Event of Default has occurred, provided such performance by said mortgagee shall occur within the time prescribed therefor in this Lease, plus an additional grace period of thirty (30) days thereafter or, if said Event of Default is curable but not within said 30-day period, then within such additional time as may be necessary to cure the same provided the mortgagee commences the curing thereof within such 30-day period and thereafter prosecutes the curing of such Event of Default to completion with all due diligence; provided, however, (i) with respect to any Event of Default hereunder which cannot be cured by said mortgagee until it obtains possession of the Leased Premises, the provisions of subsection (e) shall apply and (ii) if Lessee fails to maintain commercial public liability insurance required by Section 10.01 hereof, the mortgagee shall only have ten (10) days to cure such Event of Default.

(e) If an Event of Default occurs under this Lease which cannot be cured by a mortgagee without first obtaining possession of the Leased Premises (which shall not include an Event of Default relating to the maintenance of liability insurance), then, and notwithstanding any other provision contained in this Lease, Lessor shall not terminate this Lease by reason of such Event of Default if (i) said mortgagee, within the thirty (30) day grace period set forth in subsection (d) above, shall have commenced, and thereafter diligently proceeds with, an appropriate proceeding to foreclose such mortgage or otherwise obtains possession of the Leased Premises, and (ii) said mortgagee shall have cured such Event of Default within thirty (30) days following its obtaining possession of the Leased Premises (or, if said Event of Default is curable but not within said 30-day period, then within such additional time as maybe necessary to cure the same provided the mortgagee commences the curing thereof within such 30-day period and thereafter prosecutes the curing of such Event of Default to completion with all due diligence).

(f) During the pendency of any foreclosure proceedings, mortgagee shall fully perform all the obligations of Lessee under this Lease that can be performed by such mortgagee without possession of the Leased Premises (including, but not limited to, payment of all Basic Rent, all additional rent, maintenance of insurance, and any and all other monies due and payable by Lessee hereunder); provided, however, that if such mortgagee obtains possession of the Leased Premises during the time that it is enforcing its foreclosure remedy or as a result thereof, then such mortgagee shall perform fully all of Lessee's obligations under this Lease. In the event such mortgagee or any purchaser at a judicial or non-judicial foreclosure sale ("purchaser") acquires title to the leasehold estate through such a foreclosure proceeding, or otherwise, it shall thereupon become subrogated to all the rights of the Lessee under this Lease whereupon:

(1) Lessee shall have no further right hereunder; and

(2) Such mortgagee or purchaser shall forthwith be obligated to assume and perform each and all of Lessee's obligations and covenants hereunder.

(g) Upon the written request of any mortgagee or prospective mortgagee, and for the benefit of said mortgagee or its nominee, Lessor will promptly deliver to said mortgagee a certificate as to whether Lessor is aware of any default by Lessee hereunder.

(h) Notwithstanding anything to the contrary contained in this Section 12.01, the mortgagee, on or after acquiring ownership of Lessee's leasehold estate, may assign this Lease without the necessity of obtaining Lessor's consent and, upon any such assignment, provided such assignee shall assume and agree to perform and, be bound by all of the terms hereof, be released from all liability hereunder except for obligations occurring during its ownership of said leasehold estate.

ARTICLE XIII

Events of Default; Termination

If any one or more of the following events (herein called "Events of Default") shall happen:

(a) if Lessee fails to maintain the commercial public liability insurance required by Section 10.01; or

(b) if default shall be made in the due and punctual payment of any payment due pursuant to Section 7.04 hereof, and such default shall continue for more than thirty (30) days after receipt of written notice to the Lessee from the Lessor; or

(c) if default shall be made by Lessee in the due performance of or compliance with any of the terms hereof, other than that referred to in the foregoing subdivisions (a) and (b), and such default shall continue for sixty (60) days after Lessor shall have given Lessee written notice of such default (or in the case of any such default which cannot with due diligence be cured

within such 60-day period, if Lessee shall fail to proceed promptly to cure the same and thereafter prosecute the curing of such default with due diligence, it being intended in connection with any such default not susceptible of being cured with due diligence within the sixty (60) days that the time of Lessee within which to cure the same shall be extended for such period as may be necessary to complete the curing of the same with all due diligence);

then in any such event Lessor at any time thereafter and while such Event of Default shall continue may give a written termination notice to Lessee, which notice shall specify the nature of the Event of Default and a date of termination of this Lease not less than thirty (30) days after the giving of such notice. Upon such termination, Lessor shall have the right, but not the obligation, to enter upon the Leased Premises and repossess the Leased Premises.

ARTICLE XIV

Purchases and Purchase Prices

Section 14.01. Option to Purchase. Lessee shall have an option to purchase the Leased Premises at any time during the Term and for a period of ninety (90) days after the Term has ended and Lessor has given notice of the end of such Term to Lessee for an amount equal to \$1.00. To exercise such option Lessee shall (i) give Lessor at least ten (10) days' prior written notice of its intent to exercise any option granted pursuant to this Section 14.01, which notice shall state the purchase date, and (ii) comply with the provisions of Section 14.03 hereof. The option to be exercised by Lessee hereunder may be exercised whether or not a default or Event of Default has occurred hereunder.

Section 14.02. Granting of Easements. From time to time during the Term, Lessee shall have the right, at Lessee's expense, to cause Lessor (i) to grant easements affecting the Leased Premises, (ii) to dedicate or convey, as required, portions of the Leased Premises for road, highway and utilities and other public purposes, and (iii) to execute petitions to have the Leased Premises or portions thereof annexed to any municipality or included within any utility, highway or other improvement or service district.

Section 14.03. Exercise of Option.

(a) To exercise any option contained in Section 14.01, Lessee shall pay, or cause to be paid, on or prior to the purchase date, as the purchase price the sum of \$1.00.

(b) On the purchase date for the purchase of the Leased Premises pursuant to Section 14.01, Lessor shall convey the Leased Premises to Lessee by quitclaim deed conveying Lessor's interest in the Leased Premises. Lessee shall pay all expenses relating to such conveyance.

ARTICLE XV

Miscellaneous

Section 15.01. Applicable Law. This Lease shall be governed exclusively by the provisions hereof and by the applicable laws of the State of Tennessee.

Section 15.02. Severability. In the event that any clause or provision of this Lease shall be held to be invalid by any court of competent jurisdiction, the invalidity of such clause or provision shall not affect any of the remaining provisions hereof.

Section 15.03. Notices and Demands. All notices, certificates, demands, requests, consents, approvals and other similar instruments under this Lease shall be in writing, and shall be deemed to have been properly given and received if sent by United States certified or registered mail, (a) if to Lessee addressed to Lessee at 22 Market Square, Knoxville, Tennessee 37902 or at such other address as Lessee from time to time may have designated by written notice to Lessor; and (b) if to Lessor addressed to Lessor, 17 Market Square No. 201, Knoxville, Tennessee 37902 Attention: Robin Holt and a copy to c/o R. Culver Schmid, Esq., Long, Ragsdale and Waters, PC, 1111 Northshore Drive, NW, Suite S-700, Knoxville, Tennessee 37919-4074, with a copy to the City of Knoxville, P. O. Box 1631, Knoxville, Tennessee 37902, Attention: Law Director or at such other address as Lessor may from time to time have designated by written notice to Lessee.

Section 15.04. Headings and References. The headings in this Lease are for convenience of reference only and shall not define or limit the provisions thereof. All references in this Lease to particular Articles or Sections are references to Articles or Sections of this Lease, unless otherwise indicated.

Section 15.05. Successors and Assigns. The terms and provisions of this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

Section 15.06. Multiple Counterparts. This Lease may be executed in multiple counterparts, each of which shall be an original but all of which together shall constitute but one and the same instrument.

Section 15.07. Expenses upon Default. In the event that Lessor shall be required to engage legal counsel for the enforcement of any of the terms of this Lease, whether or not such employment shall require institution of suit or other legal services required to secure compliance on the part of Lessee, Lessee shall be responsible for and shall promptly pay to Lessor the reasonable value of said attorneys' fees, and any other expenses incurred by Lessor as a result of such default.

Section 15.08. No Liability of Officers, Etc. No recourse under or upon any obligation, covenants or agreement contained in this Lease shall be had against any incorporator, members, director or officer, as such, past, present or future, of Lessor, either directly or through the

Lessor. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such incorporator, member, director or officer is hereby expressly waived and released by Lessee as a condition of and consideration for the execution of this Lease.

Section 15.09. No Liability of City, Officer, Etc. The City of Knoxville, Tennessee, and its officials and agents shall not in any event be liable for the performance of any obligation or agreement of any kind whatsoever herein, and none of the agreements or obligations of Lessor contained in this Lease or otherwise shall be construed to constitute an indebtedness of the City of Knoxville, Tennessee, or its officials or agents, within the meaning of any constitutional or statutory provision whatsoever.

Section 15.10 Limitation of Liability. Notwithstanding any other provision hereof, Lessor's liability hereunder shall be limited to its interest in the Leased Premises and the payments to be made pursuant to this Lease, and Lessee shall not have any recourse against any other assets of Lessor.

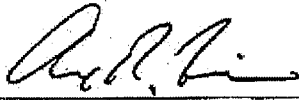
Section 15.11 Sign. During the rehabilitation of the Leased Premises, Lessor and the City of Knoxville shall be permitted to place a sign on the Project indicating their support of Lessee's activities on the Leased Premises so long as such sign is in compliance with all local laws and regulations.

Section 15.12 Reports. During the term of the Lease, Lessee shall, at the request of Lessor, assist Lessor by providing to Lessor, or its designee, information necessary to complete reports required by the terms of Tenn. Code. Ann. §§7-53-305(b) and 4-17-303 (and all amendments thereto) in the forms attached hereto as Exhibit B (or any amendment thereof requested by Lessor). If requested by Lessor, Lessee shall certify such information and sign the reports in its capacity as Lessor under the terms of this Lease.

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IN WITNESS WHEREOF, THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF KNOXVILLE, has executed this Lease by causing its name to be hereunder subscribed by its duly authorized officer; and Lessee has executed this Lease by causing their names to be hereunto subscribed, all being done as of the date and year first above written.

**THE INDUSTRIAL DEVELOPMENT BOARD
OF THE CITY OF KNOXVILLE**

By: 
Name: Alex Fischer
Title: Chairman

PRESERVATION PUBLIC LLC


By: 
Name: Bernadette West
Title: Chief Manager

EXHIBIT A

Legal Description of Leased Land

SITUATED in District No. 4 of Knox County, Tennessee, and within the 6th Ward of the City of Knoxville, Tennessee, and being known and designated as Lot 19R, in the Resubdivision of Lots 19, 20, 21 and 22, of Swan & Mabry Addition, as shown by map recorded as Instrument No. 200303240084555, in the Knox County Register's Office, said lot being more fully bounded and described by map, to which map specific reference is hereby made for a more particular description.

BEING the property conveyed by Quit Claim Deed dated May 9, 2003, from Scott and Bernadette West to Lessee recorded with the Knox County Register of Deeds at Instrument No. 200305120102834.