

**Board Members:**

Charley Bible  
Shannon Coleman Egle  
Paul Fortunato  
Tiffany Gardner  
Mike George  
Terry Henley  
J. Ford Little  
Lou Moran, III  
Alvin Nance  
Lisa Rottmann  
Anthony Wise



**The Industrial Development Board of the County of Knox**

Regular Meeting  
Tuesday, March 21, 2023, 4:00 p.m.  
17 Market Square, #201  
Knoxville, Tennessee 37902

**AGENDA**

- I. Call to Order
- II. Approval of Minutes from Previous Meeting
  - ACTION** A). Annual Meeting – February 14, 2023 and reconvened on February 28, 2023.
- III. Review and Consideration of an amendment to the Lease Agreement for a Payment-In-Lieu-of-Tax (PILOT) transaction with Dover Development Corporation for the real property located at 101 E. Fifth Avenue, Knoxville, Tennessee, 37917.
  - ACTION**
- IV. The Development Corporation: Transition Update.
  - A). Fee assessments and closing fee waivers
  - B). Business Parks: Property Transfer Agreement
- V. Old Business
- VI. New Business
- VII. Adjourn



**MINUTES OF THE REGULAR AND RESCHEDULED MEETING OF  
THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX**

February 14 & 28, 2023, 4:00 p.m.

The regular meeting of the Board of Directors of The Industrial Development Board of the County of Knox (the “Industrial Development Board” or “Board”) was held on Tuesday, February 14 and 28, 2023, at 4:00 p.m., pursuant to notice duly provided to the Directors and the public. The meeting was held at the offices of the Knoxville Chamber and The Development Corporation of Knox County located at 17 Market Square, #201, Knoxville, Tennessee, 37902.

Paul Fortunato, the Board’s Chair, temporarily adjourned the meeting of the Industrial Development Board on February 14, 2023, due to a lack of quorum to be reconvened at a later date and time.

The following Directors were present at the meeting, Paul Fortunato (Chair), Dr. Anthony Wise, Jr., Lisa Rottmann, Lou Moran, III, Charley Bible, and J. Ford Little.

Also, in attendance were Mac McWhorter (Knoxville Chamber), Karen Kakanis (Knoxville Chamber), R. Christopher Trump (Legal Counsel – Egerton, McAfee, Armistead & Davis, P.C.), Katrina Vargas (Paralegal - Egerton, McAfee, Armistead & Davis, P.C.), Blayne Chance (Public Observer), James P. Moneyhun, Jr. (Bass Berry & Sims), and Hayden Oakley (Truist).

I. Paul Fortunato, the Board’s Chair, called the Industrial Development Board meeting to order. The Agenda of the Industrial Development Board meeting is attached hereto as Exhibit A.

The Industrial Development Board then discussed the following matters and took the following actions as noted:

II. Review/Approve Minutes from Previous Meeting. The Chair of the meeting asked if there were any changes to the minutes of the regular meeting held on January 10, 2023.

Upon a motion by Ford Little, and a second by Lou Moran, the minutes of the January 10, 2023, meeting were unanimously approved. A copy of the minutes is attached hereto as Exhibit B.

III. Review and Consideration of Waiver of Closing Fee for Previously Approved Amendment to the Lease Agreement with Fresenius USA Manufacturing, Inc. located at 5105 South National Drive, Knoxville, Tennessee, 37914. The Chair recognized Mr. Trump, who addressed the Board regarding the proposed Resolution. He explained that the Board previously approved an amendment to the PILOT lease to extend the term, such approval conditioned on the tenant satisfying the documentation and reporting requirements associated with the extension. Mr. Trump stated that staff to the Board has requested that the closing fee for the extension be waived. The Board discussed the current fee structure and the staff’s recommendation that closing fees not be charged on a going forward basis.

Upon a motion by Lou Moran and a second by Charley Bible, the recommendation to waive the closing fee was unanimously approved.

IV. Review and Consideration of a Resolution approving extension of PILOT Lease closing deadline for Beehive Industries, LLC and Lexington-Simmons, LLC. The Chair recognized Mr. Trump who addressed the Board regarding the proposed Resolution. Mr. Trump explained that the applicant has not been able to close the transaction and that he is requesting pursuant to the proposed Resolution, the closing date requirement be moved to March 31, 2023. Upon further discussion, Mr. Trump stated that it would be better to move the closing date to April 30, 2023 and that the resolution be modified for that purpose.

Upon a motion by Lou Moran and a second by Lisa Rottmann, the Resolution approving the extension of PILOT Lease closing deadline for Beehive Industries, LLC and Lexington-Simmons, LLC to April 30, 2023, was unanimously approved. A copy of the Resolution is attached hereto as Exhibit C.

V. Review and Consideration of a Resolution approving extension of PILOT Lease closing deadline for Axle Logistics, LLC and Blueprint Group, LLC. The Chair recognized Mr. Trump who addressed the Board regarding the proposed Resolution. Mr. Trump explained the applicant has not been able to close the transaction and that he is requesting pursuant to the proposed Resolution, the closing date requirement be moved to March 31, 2023. Upon further discussion, Mr. Trump stated that it would be better to move the closing date to April 30, 2023 and that the resolution be modified for that purpose.

Upon a motion by Lou Moran and a second by Charley Bible, the Resolution approving the extension of PILOT Lease closing deadline for Axle Logistics, LLC and Blueprint Group, LLC to April 30, 2023, was unanimously approved. A copy of the Resolution is attached hereto as Exhibit D.

VI. Review and Consideration of a Resolution approving PILOT Leases for a Payment-In-Lieu-of-Tax (PILOT) transaction with Averitt Express, Inc. located at 5105 South National Drive, Knoxville, Tennessee 37914. The Chair recognized Mr. Trump who addressed the Board regarding the proposed Resolution. Mr. Trump explained this resolution approves the form of the PILOT leases presented in the Board packet and the closing of the PILOT pursuant to such lease, with such changes as may be approved by counsel to the Board.

Upon a motion by Anthony Wise and a second by Lisa Rottmann, the Resolution for the closing of the Payment-In-Lieu-of-Tax (PILOT) transaction with Averitt Express, Inc. was unanimously approved. A copy of the Resolution is attached hereto as Exhibit E.

VII. Election of Board Officers, Committee Appointments and Appointment to Greater Knoxville Foreign Trade Zone Advisory Council.

Mr. Trump gave a history of the transition of the operation into the IDB, explaining that the current slate of officers and committee members were approved in August of 2022 and haven't

served for very long. He explained that the one of the problems associated with nominating officers and committee members at this time of year is that some of the Board members may not be on the Board for their complete term. Mr. Trump stated that he and staff to the Board recommend that the annual meeting be moved to the July meeting of the Board to eliminate this issue and that the current officers and committees be elected to serve until such time.

Upon a motion by Lou Moran and a second by Anthony Wise, the following officers and committee members be elected until the July Board meeting or their successors are elected.

VIII. Old Business. None.

IX. New Business. None.

X. Next Meeting. The next regular meeting of The Industrial Development Board of the County of Knox is scheduled for March 21, 2023, at 4:00 p.m. at the offices of The Development Corporation of Knox County located at 17 Market Square, #201, Knoxville, Tennessee.

XI. Adjournment. No further business having come before the Board and upon motion duly made and seconded, the Board voted unanimously to adjourn the meeting at 4:21 p.m.

---

Dated

---

Shannon Coleman Egle, Secretary

## EXHIBITS

- Exhibit A      Agenda – February 14 & 28, 2023
- Exhibit B      Minutes – January 10, 2023
- Exhibit C      Resolution approving extension of PILOT Lease closing  
deadline for Beehive Industries, LLC and Lexington-  
Simmons, LLC
- Exhibit D      Resolution approving extension of PILOT Lease closing  
deadline for Axle Logistics, LLC and Blueprint Group, LLC
- Exhibit E      Resolution approving PILOT Leases for a Payment-In-Lieu-  
of-Tax (PILOT) transaction with Averitt Express, Inc.  
located at 5105 South National Drive, Knoxville, Tennessee  
37914

DRAFT

THIS INSTRUMENT PREPARED BY:

William A. Reeves  
Wise and Reeves PLLC  
625 South Gay Street, Suite 160  
Knoxville, TN 37902

**FIRST AMENDMENT TO LEASE AGREEMENT**

**THIS FIRST AMENDMENT TO LEASE AGREEMENT** (this "Amendment"), is made and entered into as of the \_\_\_\_ day of \_\_\_\_\_ 2023, by and between **THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX**, a public, non-profit corporation organized and existing under the laws of the State of Tennessee ("Landlord"), and **DOVER SIGNATURE PROPERTIES, INC.**, (formally Dover Development Corporation), a corporation organized under the laws of the State of Tennessee, ("Tenant").

**RECITALS**

The Landlord and Tenant entered into a Lease Agreement dated the 31<sup>st</sup> day of October, 2016.

The Landlord and Tenant have agreed to make certain changes to the Lease Agreement, effective immediately upon execution of this First Amendment to the Lease Agreement.

The First Amendment to Lease Agreement is authorized by Section 13.14 of the Lease Agreement.

Now, therefore, Landlord and Tenant agree as follows:

1. All references in the Lease Agreement to "persons over the age of sixty-two (62)" shall be deleted, including without limitation, on page 1 (Recitals); page 7, Section 3.1(a); page 8, Section 4.1 (by reference to the Application); page 9, Section 4.2; or by reference to the Resolution dated January 27, 2014 of the Commission of Knox County, and all applications, attachments, exhibits, or documents which may contain any reference to or for "persons over the age of sixty-two (62)," however made or wherever found.
2. The Premises shall remain a multi-family housing facility without age limitations including for independent senior living uses.
3. All other terms of the Lease Agreement not specifically amended by this **FIRST AMENDMENT TO LEASE AGREEMENT** shall remain in full force and effect.

*[Signatures on following page.]*

**IN WITNESS WHEREOF**, the parties have caused this Amendment to be fully executed as of the day and year first above written.

LESSOR:

**THE INDUSTRIAL DEVELOPMENT BOARD  
OF THE COUNTY OF KNOX**

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

Name: Michael Odom

Title: \_\_\_\_\_

LESSEE:

**DOVER SIGNATURE PROPERTIES**

(formally Dover Development  
corporation)

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

Name: Richard Dover

Title: \_\_\_\_\_



**STATE OF TENNESSEE**  
**COUNTY OF \_\_\_\_\_**

Before me, the undersigned authority, a Notary Public in and for said county and state, personally appeared Michael Odom, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged himself/herself to be the \_\_\_\_\_ of **THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX**, the within named bargainor, a public non-profit corporation organized under the laws of the state of Tennessee, and that he/she as such officer being authorized so to do, executed the within instrument for the purposes therein contained by signing the name of said corporation by himself/herself as such \_\_\_\_\_.

Witness my hand and official seal at office in the aforesaid county, this \_\_\_\_\_ day of \_\_\_\_\_, 2023.

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

My commission expires: \_\_\_\_\_

**STATE OF TENNESSEE**  
**COUNTY OF \_\_\_\_\_**

Before me, the undersigned authority, a Notary Public in and for said county and state, personally appeared Richard Dover, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who upon oath acknowledged himself/herself to be the \_\_\_\_\_ of **DOVER SIGNATURE PROPERTIES**, the within named bargainor, a Tennessee corporation, and that he/she as such officer being authorized so to do, executed the within instrument for the purposes therein contained by signing the name of said corporation by himself/herself as such \_\_\_\_\_.

Witness my hand and official seal at office in the aforesaid county, this \_\_\_\_\_ day of \_\_\_\_\_, 2023.

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

My Commission expires: \_\_\_\_\_



January 5, 2023

Chris Caldwell  
Knox County Department of Finance  
400 Main St., Suite 630  
Knoxville, TN 37902.

Re: Request to Modify Lease Agreement  
Historic Knox High School

Dear Mr. Caldwell:

This law firm represents Dover Development Corporation (“Dover”). I am writing regarding the lease agreement between the Industrial Development Board of the County of Knox (“IDBC”) and Dover dated October 31, 2016 (“Lease”) for the property known as the Historic Knoxville High School (“Knox High”). Under the terms of the Lease, Dover was to operate a “multi-family housing/independent, senior, living facility, providing independent, senior, living units for persons over the age of sixty-two (62).” Dover requests that the provisions limiting housing to residents 62 and over be removed from the Lease.

The age 62 and over limitation was placed in the Lease solely at the request of Dover. At the time the Lease was negotiated, Dover had applied for a tax credit that restricted residents of the property to this age group. While a letter of intent for the tax credit was executed, the deal fell through, and Dover never received the credit. Knox County never requested nor conditioned approval of the Lease upon the inclusion of any age requirement.

Since the inception of the Lease, persons under the age of 62 have been permitted to reside at the facility. There are several reasons. Many of the applicants applying for housing at Knox High were under the age of 62. For a significant number of age 62 and older applicants, it was soon discovered that they were not capable of living in the independent housing provided by Knox High. During a period of time that the elevators were offline, older residents were unable to traverse the stairs from their rooms to the dining facility. While the elevators were offline, staff members delivered meals to apartments; however, staff could not assure the fire marshal that adequate resources were in place to transport residents out of the facility if the elevators were inoperable and an emergency occurred. Even when the elevators were working, a number of older residents insisted on staff delivering meals to their rooms, a service that was not part of resident’s leases with Knox High. Services for residents over the age of 62, such as the providing of meal services at Knox High, became cost prohibitive.

Dwight E. Tarwater<sup>1</sup>  
Thomas A. Bickers<sup>1</sup>  
John W. Elder<sup>1\*2\*3</sup>  
Michael J. King<sup>1\*4</sup>  
Taylor A. Williams<sup>1</sup>  
Catherine W. Anglin<sup>1</sup>  
Lindsey M. Collins<sup>1</sup>  
Kendell G. Vonckx<sup>1</sup>  
Thomas H. Jarvis<sup>1</sup>  
Kelsey C. Osborne<sup>1\*5</sup>  
Kathryn V. Haaquist<sup>1</sup>  
Michael S. Deel<sup>1</sup>

Donald F. Paine  
(1939 - 2013)

<sup>1</sup> Licensed in Tennessee  
<sup>2</sup> Licensed in Illinois  
<sup>3</sup> Licensed in New York  
<sup>4</sup> Licensed in North Carolina  
<sup>5</sup> Licensed in Texas

The Lease raises concerns regarding compliance with the Fair Housing Act (“FHA”). Pursuant to the FHA, discrimination based upon familial status is prohibited. The Housing For Older Persons Act of 1995 (“HOPA”) exempts senior housing facilities from familial status discrimination complaints. Under HOPA, there’s an exception that permits restriction on housing to residents age 62 and older provided that the facility is “intended for, and solely occupied by persons 62 years of age or older.” Knox High does not meet this exemption as there are tenants living at Knox High under the age of 62.

In 2022, the Knox County rental market has been rocked by rent increases in excess of 20%. Occupancy rates in the multi-family housing industry have soared. As of August 2022, occupancy rates in Knox County exceeded 95%. These rent increases combined with the lack of available housing in Knox County have made renting extraordinarily difficult. The removal of the age requirements in the Lease and opening Knox High to the community as a whole will serve to benefit all citizens of Knox County.

Dover kindly requests the IDBC’s favorable consideration of this lease modification. If you should have any questions regarding this request, please do not hesitate to contact me.

Very truly yours,

**PAINE | TARWATER | BICKERS, LLP**

*Michael J. King*

Michael J. King

**THE INDUSTRIAL DEVELOPMENT BOARD OF  
THE COUNTY OF KNOX, TENNESSEE  
PAYMENT-IN-LIEU-OF-TAX (PILOT) PROGRAM  
PILOT PERFORMANCE REPORT**

Information as of December 31, 2022

**Project Data:**

PILOT Recipient (Company Name): Dover Signature Properties Inc f/k/a Dover Development Corp

Address of Property Subject to PILOT: 101 E Fifth Avenue 094 DH 005

**Insurance Requirements:**

In accordance with the Lease Agreement, please provide a certificate of insurance showing insurance coverage in the proper amounts and listing The Industrial Development Board of the County of Knox as an additional insured.

**Maintenance and Repair:**

In accordance with the Lease Agreement has the building currently owned by The Industrial Development Board of the County of Knox been properly maintained and repaired?

X  YES   NO

If the answer is no, please explain. Attach additional sheets if necessary.

**Continuous Operation as Multi-Family Housing/Independent Senior Living Facility:**

In accordance with the Lease Agreement, has all of the building currently owned by The Industrial Development Board of the County of Knox been continuously operated during the term of the Lease Agreement as a Multi-Family Housing/Independent Senior Living Facility for persons over the age of sixty-two (62)?

YES  X  NO

If the answer is no, please explain. Attach additional sheets if necessary.

We have been warned by our attorney (and by a HUD representative) that the 62 and over language is in violation of the Fair Housing Act with respect to our advertising and operations. We have made the changes to advertising and operations in order to be in compliance with the Act.

We request that the PILOT language be revised to remove the conflicting wording. When we took in recovering stroke victims who ended up being in their 50s it ended up meaning we were in violation of the Fair Housing Act, We were advised by counsel to stop advertising as 62 and over. Since that language had only been included for a possible federal tax credit, which we did not get, there seems no reason to keep it in the PILOT.

2306724v.2

We request that the PILOT language be revised to remove the conflicting wording.

**THE INDUSTRIAL DEVELOPMENT BOARD OF  
THE COUNTY OF KNOX, TENNESSEE  
PAYMENT-IN-LIEU-OF-TAX (PILOT) PROGRAM**

***PILOT PERFORMANCE REPORT***  
**Information as of December 31, 2022**

I certify that the information and attachments provided are true and accurate to the best of my knowledge and belief:

Richard E. Dore, President  
Print name and title of authorized company representative

Rich Dore  
Signature

2/24/2023  
Date

865 9240791  
Phone

\_\_\_\_\_  
Fax

**Please submit completed and signed materials to:**

The Development Corporation  
Attn: Mac McWhorter  
17 Market Square, #201  
Knoxville, TN 37902-1405

**For assistance call: 865-246-2605**

## LEASE AGREEMENT

This **LEASE AGREEMENT** (herein, this "Lease"), is made and entered into as of the 31st day of October, 2016, by and between **THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX**, a public nonprofit corporation organized under the laws of the State of Tennessee ("Landlord"), and **DOVER DEVELOPMENT CORPORATION**, a corporation organized under the laws of the State of Tennessee, formerly known as Family Pride Corporation ("Tenant").

### RECITALS

Landlord is a public nonprofit corporation organized pursuant to the provisions of Sections 7-53-101 to 7-53-316, inclusive, of the Tennessee Code Annotated, as amended, and is authorized thereunder to acquire, own, lease and dispose of certain real and personal properties, in order to (i) maintain and increase employment, (ii) promote and develop trade, new industry, and commerce, and (iii) induce manufacturing, industrial, governmental and commercial ventures to remain or locate in the State of Tennessee.

The Commission of Knox County, Tennessee (the "Commission") has, pursuant to a Resolution, dated January 27, 2014, delegated to Landlord the authority to accept the Application (as such term is defined below) and grant tax incentives for the Project (as such term is defined below) under PTIP (as such term is defined below).

In connection therewith, Landlord has acquired from Tenant certain real property in Knox County, Tennessee, located at 101 E. Fifth Avenue, Knoxville, Tennessee 37917, Parcel No. 094DH005, and known as the Historic Knoxville High School, such real property being more particularly described in Exhibit A attached hereto and incorporated herein by reference.

To induce Tenant to operate a multi-family housing/independent senior living facility for persons over the age of sixty-two (62) on the Real Property, Landlord will authorize Tenant to improve, renovate, construct, and equip a multi-family housing facility providing approximately one-hundred (100) independent senior living units for persons over the age of sixty-two (62) on the above described real property, and Landlord will lease the real property to Tenant on the terms and conditions of this Lease.

NOW, THEREFORE, LANDLORD AND TENANT AGREE AS FOLLOWS:

Landlord, for and in consideration of the payments stipulated herein to be made by Tenant and the covenants and agreements hereinafter contained and to be kept and performed by Tenant, does hereby demise, lease, and let unto Tenant, and Tenant hereby hires, leases and rents from Landlord, for the Term and upon the conditions stated herein, the Real Property and the Project.

### **ARTICLE I DEFINITIONS**

Section 1.1 Definitions. In addition to words and terms defined in the Premises and Recitals, the following terms and variations thereof have the meanings specified or referred to in this Article I:

"**Act**" means Sections 7-53-101 to 7-53-316, inclusive, of the Tennessee Code Annotated, as amended.

**“Additional Rent”** shall mean all amounts payable by Tenant under this Lease other than Base Rent, including, without limitation, those amounts described in Section 5.3.

**“Application”** is the Application dated as of January 3, 2014, filed by Southeastern Housing Foundation II, Inc. under Landlord’s Property Tax Incentive Program on behalf of itself and Tenant, as the same may be amended with the written consent of Landlord.

**“Authorized Tenant Representative”** means Tenant’s General Manager or other executive acceptable to Landlord.

**“Base Rent”** has the meaning provided in Article V.

**“Default”** means the happening of any occurrence which, together with the giving of any required notice or the passage of any required period of time, or both, would constitute an Event of Default.

**“Environmental Laws”** has the meaning provided in Section 14.1(a).

**“Environmental Reports”** means those certain environmental reports all conducted by S&ME, copies of which have been delivered to Tenant:

- (a) Phase I, dated May 1, 2003; and
- (b) Phase II, dated February 6, 2014; and
- (c) Asbestos and Lead-Paint Report, dated February 10, 2014.

**“Event of Default”** has the meaning provided in Section 10.1.

**“Force Majeure”** shall mean any of the following causes, circumstances or events: acts of God, strikes, lockouts or other industrial disturbances; acts of public enemies, including acts of terrorism; orders or restraints of any kind of the government of the United States of America or the State of Tennessee or any of their departments, agencies, political subdivisions or officials, or any civil or military authority; war; insurrections; civil disturbances; riots; epidemics; earthquakes; tornados; lack of availability of material and failure of any lender that is legally committed to make a loan to Tenant to finance costs of the Project or to advance funds for the payment of such costs of the Project if such failure is not the result of any action or omission by Tenant; provided, however, that in any event, weather-related conditions, other than catastrophic weather-related disasters, shall not be deemed to be a “Force Majeure” event hereunder.

**“Governmental Authority”** means the United States, the State of Tennessee, any political subdivision of either, any court of either of them, and any agency, department, commission, board, bureau or instrumentality of either of them.

**“Hazardous Waste”** has the meaning provided in Section 14.1(a).

**“Improvements”** means, collectively, the Tenant Improvements and any other improvements now or hereafter located on the Real Property.

**“Landlord’s Agents”** has the meaning provided in Section 6.3(c).

**“Landlord’s Designated Representative”** shall mean such person or persons as are designated by the Landlord to provide any approvals or consents under this Agreement or otherwise perform duties

of the Landlord specified herein, which person or persons need not be officers, directors or employees of the Landlord.

**“Lease Compliance Information”** has the meaning provided in Section 7.4(a).

**“Legal Requirement”** means any federal, state, local, municipal, foreign, international, multinational or other constitution, law, ordinance, principle of common law, code, regulation, statute or treaty and any court order.

**“Lender”** means any lending institution which has extended credit to Tenant that is secured by a Security Instrument.

**“Municipality”** has the meaning provided in Section 7.2(b).

**“Option Price”** has the meaning provided in Section 12.1.

**“Organizational Documents”** means, with respect to any particular entity, (a) if a corporation, the articles or charter of incorporation and the bylaws; (b) if a general partnership, the partnership agreement and any statement of partnership; (c) if a limited partnership, the limited partnership agreement and the certificate of limited partnership; (d) if a limited liability company, the articles of organization and operating agreement; (e) if another type of Person, any other charter or similar document adopted or filed in connection with the creation, formation or organization of the Person; (f) all equity holders’ agreements, voting agreements, voting trust agreements, joint venture agreements, registration rights agreements or other agreements or documents relating to the organization, management or operation of any Person or relating to the rights, duties and obligations of the equity holders of any Person; and (g) any amendment or supplement to any of the foregoing.

**“Person”** means an individual, partnership, corporation, business trust, limited liability company, limited liability partnership, joint stock company, trust, unincorporated association, joint venture or other entity or a Governmental Authority.

**“Plans and Specifications”** means the final plans and specifications for the design and construction of the Tenant Improvements on the Real Property, as approved by any and all applicable Government Authorities, which plans and specifications shall be consistent with the Application, the RFP and the Proposal, subject to any revisions that have been approved by the Landlord’s Designated Representative.

**“Premises”** means the Real Property, together with the Improvements on such Real Property, all whether located on the Real Property at the time of the execution of this Lease, or at any time thereafter.

**“Project”** means the completion of the Tenant Improvements by Tenant, the conveyance of the Real Property to Landlord, the leasing of the Real Property by Tenant from Landlord, and the work of constructing the Tenant Improvements on the Real Property all pursuant to the terms of this Lease and the Application.

**“Proposal”** shall mean the proposal submitted by Tenant and Southeastern Housing Foundation LLC in response to the RFP, a copy of which is attached hereto as Exhibit B.

**“PTIP”** means Landlord’s Property Tax Incentive Program and the payments in lieu of taxes to be paid in accordance with Section 7.2 hereof.

**“PTIP Payments”** has the meaning provided in Section 7.2(a).



**“PTIP Policies and Procedures”** means the Policies and Procedures of Landlord with regard to the PTIP, as the same may be modified from time to time by Landlord.

**“Real Property”** means the real property described in Exhibit A attached to this Lease and incorporated herein by reference and any improvements located thereon.

**“Related Documents”** has the meaning provided in Section 13.7.

**“Report”** has the meaning provided in Section 7.4.

**“RFP”** shall mean that certain Request for Proposal for the sale and redevelopment of the former Old Knoxville High School issued by Knox County, Tennessee.

**“Security Instrument”** means any deed of trust, security agreement, assignment, pledge, hypothecation, conditional sale agreement, chattel paper, financing statement or other instrument or document encumbering the Real Property or Tenant’s leasehold interest therein, all as amended from time to time.

**“Tax Year”** has the meaning provided in Section 7.2.

**“Tenant”** means the legal entity or natural person identified in the first paragraph of this Lease, or any permitted transferee or assignee pursuant to Section 4.6.

**“Tenant Construction Contract”** has the meaning provided in Section 3.1.

**“Tenant Documents”** means this Lease and such deeds, bills of sale, assignments, subleases, estoppel certificates, subordination agreements, nondisturbance and attornment agreements and other instruments and documents evidencing and providing for the transactions and obligations contemplated herein, as the same may be amended, modified and supplemented from time to time.

**“Tenant Improvements”** means the improvements constructed or to be constructed upon the Real Property and affixed thereto by Tenant, as provided in the Application and the Proposal.

**“Tenant Improvements Completion Date”** shall mean the date that is twenty (24) months following the date hereof, subject to brief reasonable extensions to accommodate Force Majeure events.

**“Term”** means the term of this Lease, as provided in Section 5.1.

Section 1.2     Usage.

(a)     In this Lease, unless a clear contrary intention appears:

(i)     the singular number includes the plural number and vice versa;

(ii)    reference to any Person includes such Person’s successors and assigns but, if applicable, only if such successors and assigns are not prohibited by this Lease, and reference to a Person in a particular capacity excludes such Person in any other capacity or individually;

(iii)    reference to any gender includes each other gender;

(iv) reference to any agreement, document or instrument means such agreement, document or instrument as amended or modified and in effect from time to time in accordance with the terms thereof;

(v) reference to any Legal Requirement means such Legal Requirement as amended, modified, codified, replaced or reenacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder, and reference to any section or other provision of any Legal Requirement means that provision of such Legal Requirement from time to time in effect and constituting the substantive amendment, modification, codification, replacement or reenactment of such section or other provision;

(vi) “hereunder,” “hereof,” “hereto,” and words of similar import shall be deemed references to this Lease as a whole and not to any particular Article, Section or other provision hereof;

(vii) “including” (and with correlative meaning “include”) means including without limiting the generality of any description preceding such term;

(viii) “or” is used in the inclusive sense of “and/or”;

(ix) with respect to the determination of any period of time, “from” means “from and including” and “to” means “to but excluding”; and

(x) references to documents, instruments or agreements shall be deemed to refer as well to all addenda, exhibits, schedules or amendments thereto.

(b) This Lease was negotiated by the parties with the benefit of legal representation, and any rule of construction or interpretation otherwise requiring this Lease to be construed or interpreted against any party shall not apply to any construction or interpretation hereof.

(c) Any capitalized terms not specifically defined herein shall have the meanings assigned to them in the Application.

## **ARTICLE II REPRESENTATIONS AND WARRANTIES**

**Section 2.1 Representations and Covenants of Landlord.** Landlord is a public nonprofit corporation and governmental instrumentality of the State of Tennessee, duly incorporated, validly existing and in good standing under the laws of the State of Tennessee, and is validly organized pursuant to the provisions of the Act. Landlord is authorized and empowered by the provisions of the Act, and has all requisite corporate power and authority to execute and deliver and perform its obligations under this Lease. No consents of any third parties are required nor are any regulatory filings required to be made in order for Landlord to execute this Lease and consummate the transactions herein. This Lease has been duly authorized, executed and delivered on behalf of Landlord and constitutes the legal, valid and binding obligation of Landlord, enforceable in accordance with its terms, subject to bankruptcy and other creditors’ rights, laws, and principles of equity. The execution, delivery and performance by Landlord of this Lease will not contravene or constitute a default under any provision of applicable law or regulation, the Organizational Documents of Landlord or of any contract, agreement, judgment, order, decree, rule, regulation or other instrument binding on Landlord.

Section 2.2 Representations, Warranties and Covenants of Tenant. Tenant hereby represents and warrants to, and agrees and covenants with Landlord as follows:

(a) Tenant is a corporation duly organized, validly existing, and in good standing under the laws of its jurisdiction of organization, with full power and authority to conduct its business as it is now being conducted and to own or use the properties and assets that it purports to own or use.

(b) Tenant has all requisite power, authority and legal right to: (i) execute and deliver this Lease and all other instruments and documents to be executed and delivered by Tenant pursuant hereto; (ii) perform and observe the provisions thereof; and (iii) carry out the transactions contemplated thereby. All action on the part of Tenant which is required for the execution, delivery, performance and observance by Tenant of this Lease has been duly authorized and effectively taken.

(c) This Lease constitutes the legal, valid and binding obligation of Tenant, enforceable against Tenant in accordance with its terms, subject to bankruptcy and other creditors' rights, laws, and principles of equity.

(d) The Application and the Proposal do not contain any untrue statement or omit to state a material fact necessary to make the statements therein or in this Lease, in light of the circumstances in which they were made, not misleading. No representation of Tenant, or information disclosed by Tenant, in the Application or the Proposal omits to state a material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading.

(e) Tenant is not in material default under or violating, and none of the execution and delivery of this Lease, consummation of the transactions contemplated hereby or compliance with the terms and conditions hereof will conflict with, constitute a breach of or a default under, or violate, any material agreement or instrument to which Tenant is a party or by which Tenant or any of Tenant's property is bound and which has not been waived, or to Tenant's knowledge, any Legal Requirement. To Tenant's knowledge no event has occurred or is continuing which constitutes a default under or which, with the lapse of time or giving of notice or both, would constitute a default under any of the foregoing.

(f) There is no action, suit or proceeding at law or in equity or by or before any Governmental Authority now pending or, to the knowledge of Tenant, threatened against Tenant or any of its properties which might adversely affect the validity of this Lease or the transactions contemplated hereby.

(g) Neither the execution and delivery of this Lease or the other Tenant Documents nor the consummation or performance of any of the transactions contemplated thereby will, directly or indirectly (with or without notice or lapse of time):

(i) breach (A) any provision of any of the Organizational Documents of Tenant or (B) any resolution adopted by the board of directors, shareholders, partners, or members of Tenant, as applicable;

(ii) breach any of the transactions contemplated by the Tenant Documents or give any Governmental Authority or other Person the right to exercise any remedy or obtain any relief under any Legal Requirement or any judgment or order to which Tenant may be subject;

(iii) contravene, conflict with or result in a violation or breach of any of the terms or requirements of, or give any Governmental Authority the right to revoke, withdraw, suspend,

cancel, terminate or modify, any license, permit, or other authorization that is held by Tenant or that otherwise relates to the Premises or to the business of Tenant; or

(iv) breach any provision of, or give any Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or payment under, or to cancel, terminate or modify, any agreement, document or contract to which Tenant is a party or by which Tenant may be bound.

(h) Except as may be required by its Organizational Documents, Tenant is not required to give any notice to or obtain any consent from any Person in connection with the execution and delivery of this Lease, the other Tenant Documents, or the consummation or performance of any of the transactions contemplated therein.

### **ARTICLE III CONSTRUCTION AND/OR RESTORATION**

#### Section 3.1 Construction of Tenant Improvements.

(a) Promptly following the date hereof, Tenant shall pay for and oversee the construction and completion of the Tenant Improvements on the Property in order to complete the redevelopment of the Premises into a multi-family housing facility providing approximately one hundred (100) independent senior living units for persons over the age of sixty-two (62), as provided in the Application, the RFP and the Proposal, with such modifications thereto as reflected in the Plans and Specifications approved by the Landlord's Designated Representative. In order to accomplish the construction and renovation of the Tenant Improvements, Tenant is hereby authorized to execute in its own name, without reference to Landlord, all necessary contracts, agreements, purchase orders, and related documents, including, without limitation, the construction contract for the Project ("Tenant Construction Contract"). In no event shall Landlord be liable under any such contracts, agreements, purchase orders, and other related documents, including, without limitation, the Tenant Construction Contract.

(b) Tenant agrees that the Tenant Improvements shall be completed by the Tenant Improvements Completion Date in accordance with the Plans and Specifications. Tenant further agrees that the Tenant Construction Contract will provide that the Tenant Improvements will be completed by the Tenant Improvements Completion Date and that any and all other agreements pertaining to the construction of the Tenant Improvements will provide for a completion date consistent with such Tenant Improvements Completion Date.

(c) Tenant agrees, pursuant to the authority and power granted in the preceding paragraph, to proceed with the construction, renovation and equipping of the Tenant Improvements with due diligence, in a good and workmanlike manner and in compliance with all Legal Requirements.

Section 3.2 Plans and Specifications. During the development of the Project, Tenant will cause to be prepared Plans and Specifications for the construction of the Tenant Improvements at such times as such Plans and Specifications are needed to permit the completion of the Tenant Improvements by the Tenant Improvements Completion Date. Such Plans and Specifications shall be subject to review and comment from the Landlord's Designated Representative and shall conform in all material respects with the improvements described in the Proposal. In the event that the Landlord claims that the Plans and Specifications do not conform in all material respects with the Proposal, then the Landlord shall give written notice within fifteen (15) business days of receipt of said Plans and Specifications specifying in reasonable detail why the Plans and Specifications do not materially conform to the Proposal. The failure

of the Landlord to give such notice shall be deemed a waiver of any such objection as to the conformity of the Plans and Specifications with the Proposal.

Section 3.3 Completion of Tenant Improvements. The Tenant Improvements shall be deemed complete upon the issuance of a Certificate of Occupancy to Tenant for the Project.

Section 3.4 Rights against Contractors, Etc.

(a) Upon completion of the Tenant Improvements and the request of Tenant, Landlord will assign to Tenant (if any of the following inure to the benefit of Landlord) (i) all warranties and guaranties of any and all contractors, subcontractors, suppliers, and architects for the furnishing of labor, materials or supervision in connection with the Tenant Improvements or any part thereof, and (ii) any and all rights or causes of action against any of the foregoing Persons.

(b) If any contractor or subcontractor breaches any contract with Tenant or Tenant's contractor related to the Tenant Improvements, Tenant may at its expense, either in its own name or in the name of Landlord, prosecute or defend any action or proceeding related to the construction and equipping of the Project or take any other action involving any such contractor, subcontractor, surety, or supplier that Tenant deems reasonably necessary. Landlord will cooperate fully with Tenant and, at Tenant's expense, will take all action necessary to effect any necessary substitution of Tenant for Landlord in such action or proceeding related to the construction, renovation and equipping of the Project. Tenant shall indemnify Landlord from all claims, damages, liability, reasonable attorneys' fees, and court costs, if Tenant prosecutes or defends any such action or proceeding or takes any other action in Landlord's name; provided Tenant shall be permitted to select its own counsel and otherwise control all aspects of any such actions or proceedings so long as it is diligently defending or prosecuting any such action. Landlord shall pay to Tenant any net amounts recovered and actually received by Landlord as damages, refunds, adjustments, or otherwise in connection with the foregoing.

Section 3.5 Agency Appointment. Landlord hereby makes, constitutes and appoints Tenant as its true and lawful agent, and Tenant hereby accepts such agency, (a) to construct the Tenant Improvements, (b) to make, execute, acknowledge and deliver any contracts, orders, receipts, writings and instructions, either in Tenant's name or as the stated agent for Landlord, with any other Person, and in general to do all things which may be requisite or proper, all for the construction of the Tenant Improvements with the same powers and with the same validity as Landlord could do if acting in its own behalf, (c) pursuant to the provisions of this Lease, to pay all fees, costs and expenses incurred in the construction of the Tenant Improvements, and (d) to ask, demand, sue for, levy, recover and receive all such sums of money, debts, dues and other demands whatsoever that may be due, owing and payable to Landlord under the terms of any contract, order, receipt, writing or instruction in connection with the construction of the Tenant Improvements, and to enforce the provisions of any contract, agreement, obligation, bond or other performance security. So long as an Event of Default has not occurred, this appointment of Tenant to act as agent and all authority hereby conferred are granted and conferred irrevocably to the completion date of the Project and thereafter until all activities in connection with the construction and equipping of the Project shall have been completed, and shall not be terminated prior thereto by any act of Landlord or of Tenant or by operation of law.

**ARTICLE IV**  
**AFFIRMATIVE COVENANTS**

Section 4.1 Tenant ratifies its representations made in the Application and agrees to comply with all terms and conditions of the Application.

Section 4.2 Use of Project and Compliance with Laws. Tenant shall promptly comply with, cause compliance with, or obtain waivers of, all Legal Requirements applicable to the Premises and Tenant's operation thereof as a multi-family housing/independent senior living facility providing independent senior living units for persons over the age of sixty-two (62), at no expense to Landlord, whether or not the same are foreseen or unforeseen, ordinary or extraordinary. Tenant shall, throughout the Term, cause the Premises to be used in a manner that will constitute a "project" within the meaning of Section 7-53-101 of the Act. Tenant has represented to Landlord in the Application that it will complete and use the Project solely for the purpose of operating a multi-family housing/independent senior living facility providing independent senior living units for persons over the age of sixty-two (62), all as set out and defined in the Application and the Proposal. Any proposed changes in the use and operation of the Premises must be submitted to Landlord for advance written approval. Pursuant and subject to the provisions of Article X of this Lease, Landlord reserves the right to terminate this Lease if the use of the Premises becomes materially inconsistent with the representations summarized above and as stated in the Application and the Proposal. All representations and warranties in the Application and the Proposal shall be deemed representations and warranties under this Lease.

Section 4.3 Contesting Laws. Tenant shall not be required to comply or cause compliance with the Legal Requirements referred to in Section 4.1, so long as Tenant shall give written notice to Landlord, and at its expense, shall contest the same or the validity thereof in good faith and in accordance with applicable law. Such contests may be made by Tenant in the name of Landlord or of Tenant, or both, as Tenant shall determine, and Landlord agrees that it will, at Tenant's expense, cooperate with Tenant therein, as Tenant may reasonably request. At Landlord's option, Tenant shall provide Landlord with such security reasonably satisfactory to Landlord for the purpose of indemnifying Landlord from all claims, damages, liabilities, reasonable attorneys' fees, and court costs, if Tenant shall pursue any claim or right in Landlord's name.

Section 4.4 Landlord's Title to Real Property. Tenant acknowledges that Tenant has been afforded an opportunity to conduct all diligence concerning the Real Property and the state of Landlord's title thereto and is satisfied with the state and condition thereof. Tenant further acknowledges and agrees that Landlord makes no representations or warranties as to the state or condition of Landlord's title to the Real Property. Until such time as this Lease has been terminated after the occurrence of an Event of Default, Landlord will not, without the prior written consent of Tenant, directly or indirectly create or consent to the creation or existence of any lien or encumbrance (other than as requested by Tenant in writing) upon the Premises or Landlord's interest therein, or convey title to the Premises in any manner whatsoever, except as otherwise provided herein or as requested or approved by Tenant in writing. Landlord will promptly consent to, and allow Tenant to place, any easements (including, but not limited to, the dedication of a portion or portions of the Real Property for public use) on the Real Property, which Tenant believes are necessary for the operation thereof. Landlord will promptly execute any and all documents reasonably requested by Tenant to grant such easements. The form and content of such documents shall be reasonably acceptable to Landlord and its counsel and shall provide that Landlord and its agents will not incur any obligations or liabilities as a result of granting and otherwise entering into such easements.

Section 4.5 Additional Encumbrances; Subordination; Estoppel.

(a) Provided that no Event of Default exists under this Lease and provided that Landlord is notified in writing of the details of any proposed transaction prior to the closing of such transaction, Tenant shall have the right to encumber by one or more Security Instruments its right to use and occupy the Premises hereunder. Any and all such encumbrances of Tenant's leasehold estate shall, however, at all times be subject to the fee interest of Landlord and shall impose no personal liability on Landlord. Tenant shall indemnify Landlord against any losses, costs or expenses (including reasonable

attorney fees), which Landlord may incur as the result of executing any such encumbrance requested by Tenant. Upon the execution and recordation of any Security Instrument, Tenant shall notify Landlord that such Security Instrument has been executed and delivered by Tenant, and Landlord shall also be furnished with the address of the Lender involved in such encumbrance, to which copies of notices are to be mailed. Landlord will thereafter contemporaneously mail to such Lender a duplicate copy of any and all notices in writing that Landlord may, from time to time, give or serve upon Tenant under this Lease. If a Lender requires Landlord to execute any certificate or other closing documents, Tenant shall be responsible to reimburse Landlord's actual expenses, costs, and reasonable attorneys' fees incurred in reviewing closing documents or otherwise expended by Landlord as a result of Tenant's transactions.

(b) Any Lender may, at its option, at any time before the rights of Tenant shall have been terminated, as provided for herein, pay any of the rent due hereunder or do any other act or thing required of Tenant by the terms hereof, or do any act or thing which may be necessary and proper to be done in the observance of the covenants and conditions hereof, in order to prevent the termination of this Lease. All payments so made and all things so done and performed, by such Lender shall be as effective to prevent a termination of the rights of Tenant hereunder as the same would have been, if done and performed by Tenant.

(c) Any Security Instrument to be executed by Landlord at the request of Tenant shall include no-recourse provisions stating that Landlord shall incur no personal or individual liability whatsoever as a result of entering into the Security Instrument, and these provisions shall have no exceptions to, or carve-outs from, the no-recourse covenant. In addition, any lien, encumbrance, mortgage or security interest evidenced by the Security Instrument shall be subordinate in right and dignity to the lien in favor of Landlord securing Tenant's obligation to make the rent payments the payments in lieu of taxes and other amounts due to Landlord under this Lease.

Section 4.6 Subletting and Assignment. Other than leases to residents of the Premises entered into in the ordinary course of business, Tenant shall not assign its interest in this Lease or sublet the Premises or any interest therein without the prior written consent of Landlord. Any permitted assignment or subletting of the Premises shall be only for the purposes set forth in the Application and this Lease. Any permitted sublease shall be subject and subordinate to the terms of this Lease. Tenant shall give Landlord thirty (30) days' notice of any assignment or subletting of the Premises, and if Landlord consents thereto, shall provide Landlord with an instrument executed by the assignee or sublessee(s) of the Premises certifying that the assignment or sublease of the Premises is in force and is subject to all of the terms and provisions of this Lease. If a transfer, assignment or sublease will in Landlord's opinion, result in a change in the use and operation of the Premises from that specified in the Application or if, as a result of any proposed sublease or assignment of the Premises, the beneficiary of the PTIP incentives would be a party other than Tenant, then Landlord may withhold its consent. Granting any consent under this Section will be at the sole discretion of Landlord and, if granted, may be subject to Tenant and the transferee, assignee, and sublessee filing a new application for PTIP incentives with Landlord, paying any fees due with respect to such new application or transfer, and otherwise complying with the PTIP Policies and Procedures.

## **ARTICLE V TERM AND RENT**

Section 5.1 Term. Subject to the terms and provisions of this Lease, this Lease shall be and remain in full force and effect for a term commencing on the date of this Lease and ending on October 30, 2031 (the "Term"). This Lease may be terminated at an earlier date in accordance with terms and conditions of this Lease.

Section 5.2 Base Rent. Tenant shall pay to Landlord without notice, setoff or demand as base rent ("Base Rent") the sum of One Thousand Dollars (\$1,000.00) per annum, such Base Rent to be paid on the date on which the Additional Rent required pursuant to Section 7.2 hereof is due and payable.

Section 5.3 Additional Rent.

(a) Tenant covenants and agrees at its expense to acquire and construct the Tenant Improvements as described in the Application, and in connection therewith, Lessee agrees to incur capital expenditures of not less than \$12,200,000.00. It is understood and agreed that such Tenant Improvements shall become the property of Landlord and part of the Premises leased hereunder. The cost of the acquisition and construction of the Tenant Improvements shall be treated as Additional Rent payable by Tenant under this Lease, although such amounts shall be payable not to Landlord but to the parties who actually construct and install the Tenant Improvements.

(b) Tenant shall also pay, as Additional Rent, those amounts set out in Article VII hereof and all other sums which Tenant shall be obligated to pay hereunder, whether or not such sums are specifically designated as Additional Rent and debt service payable by Tenant with respect to any loan secured in whole or in part by a security interest in the Premises or Tenant's interest therein. Tenant shall also pay, as Additional Rent, all reasonable sums advanced by Landlord for or on behalf of Tenant hereunder. The Additional Rent shall be due by Tenant in accordance with the applicable provisions of this Lease and, if no date is specified, then on demand. Any sums advanced by Landlord for or on behalf of Tenant shall bear interest at the prime rate of interest as published in the Wall Street Journal, as adjusted from time to time, plus 2.00% per annum, and shall be due and payable on demand.

Section 5.4 Net Lease. This Lease is a "net lease" and the Base Rent, Additional Rent and all other sums payable hereunder to or for the account of Landlord shall be paid promptly and without set-off, counterclaim, abatement, suspension, deduction, diminution or defense.

**ARTICLE VI**  
**RELEASE AND INDEMNIFICATION**

Section 6.1 Acceptance of Improvements, No Warranties. Tenant acknowledges and agrees that (a) it has examined and is fully familiar with the Premises, (b) the Plans and Specifications for the construction of the Tenant Improvements have been prepared at Tenant's direction and (c) the Tenant Improvements are to be constructed under its supervision. Accordingly, Landlord makes no representation or warranty, either express or implied, and offers no assurance to Tenant or any other Person regarding the condition or title of the Premises, the suitability of the Improvements for Tenant's purposes or needs, or the availability or sufficiency of funds to pay in full the cost of the Project. As to Landlord, Tenant accepts the Premises in their AS-IS CONDITION WITH ALL FAULTS as of the date of the commencement of the Term, and assumes all risks, if any, resulting from the failure of the Project to be completed or to comply with all applicable Legal Requirements.

Section 6.2 Failure or Defect in Title. Landlord shall not be liable to Tenant or to anyone for any damages resulting from (a) failure of, or any defect in, Landlord's title which interferes with, prevents, or renders burdensome the use or occupancy of the Premises or the compliance by Tenant with any of the terms of this Lease, or (b) delay in obtaining possession of all or any part thereof, from any cause whatsoever. No such failure of, or defect in, Landlord's title or delay in possession shall terminate this Lease or entitle Tenant to any abatement in whole or in part, of Base Rent, Additional Rent, or any other sums payable by Tenant pursuant to the terms of this Lease.

Section 6.3 Release and Indemnification.



(a) Tenant hereby releases and forever discharges Landlord, including any incorporator, member, director, officer, employee, counsel or agent of Landlord, and its successors and assigns from any claims, demands, causes of action, accounting, or any other matter arising in connection with the Project.

(b) Tenant covenants and agrees, at its expense, to pay, and to indemnify and save harmless Landlord, and any incorporator, officer, director, agent, counsel, or employee of Landlord (collectively, "Landlord's Agents"), against and from any and all claims by or on behalf of any Person, arising from (i) the occupation, use, possession, conduct, or management of, or from any work done in or about, the Premises or from the subletting of any part thereof, including any liability for violation of conditions, agreements, restrictions, and Legal Requirements affecting the Project or the occupancy or use of the Premises, (ii) any condition of the Premises and, if caused by Tenant, any condition of the adjoining sidewalks and passageways, (iii) any breach or default on the part of Tenant in the performance of any covenant or agreement to be performed by Tenant pursuant to this Lease, (iv) any act or negligence of Tenant, or any of its agents, contractors, servants, employees, or licensees, (v) any accident, injury, or damage whatsoever caused to any Person in or about the Premises or, if caused by Tenant, upon or under the sidewalks, or (vi) Landlord's ownership of the Premises, the making of this Lease or any transactions related thereto, and from and against all costs, reasonable attorneys' fees, expenses, and liabilities incurred by reason of any claim referred to in this Section.

(c) Upon notice from Landlord, Tenant shall defend Landlord or any of Landlord's Agents, in any action or proceeding brought in connection with any of the above. In the event Tenant shall fail or refuse to defend Landlord or Landlord's Agents after receipt of such notice or shall fail to diligently prosecute or defend any action subject to this Section 6.3, Landlord shall be entitled to provide its own defense of itself and Landlord's Agents and charge Tenant with the reasonable expenses incurred in connection therewith.

(d) The provisions of this Section 6.3 shall survive the termination of this Lease.

## **ARTICLE VII TAXES, OTHER CHARGES AND EXPENSES OF LANDLORD**

Section 7.1 Agreement to Pay Additional Rent. Tenant agrees to pay and discharge, as Additional Rent, during the Term hereof, punctually, as and when the same shall become due and payable:

(a) All expenses and obligations of every kind and nature, foreseen or unforeseen, for the payment of which Landlord or Tenant is or shall become liable by reason of their respective estates or interests in the Premises or any portion thereof, by reason of any right or interest of Landlord or Tenant in or under this Lease, or by reason of or in any manner connected with or arising out of the possession, operation, maintenance, alteration, repair, rebuilding, use, or occupancy of the Premises or requirements of this Lease.

(b) All taxes of every type and description, assessments (including, but not limited to, assessments for public improvements or benefits), payments in lieu of taxes, and all other impositions and charges of every kind and nature, extraordinary or ordinary, general or special, which at any time during the Term shall be or become due and payable by Landlord or Tenant which shall be levied, assessed, or imposed in connection with the Project or the Premises.

(c) All charges for gas, water, sewer, electricity, light, heat, power, telephone, and other utilities and services used, rendered or supplied to or in connection with the Premises which are required to be paid by Landlord. Tenant agrees that Landlord is not, nor shall it be required, to furnish to Tenant or any other occupant, any gas, water, sewer, electricity, light, heat, power, or any other facilities, equipment, labor, materials, or services of any kind. Landlord will extend any rights it may have to Tenant, and will cooperate with Tenant, at Tenant's expense, in connection with obtaining the use of any such utilities and other facilities and services.

(d) The reasonable out of pocket expenses of Landlord which are incurred in connection with administering the Premises and the Project or performing any act which it is required to do or deems necessary under this Lease, but specifically excluding salaries, office overhead, depreciation, or security.

(e) All of Landlord's closing costs and reasonable expenses, including reasonable attorneys' fees, incurred in connection with the acquisition of the Real Property by Landlord and the negotiation, execution and delivery of this Lease.

(f) As required by the PTIP Policies and Procedures, a closing fee equal to \$187,296.00, which shall be payable in five equal installments of \$37,459.20, commencing on the date hereof and continuing on each anniversary hereof through and including October 30, 2020.

(g) All other fees and charges required by the Application and the PTIP Policies and Procedures, including an application fee equal to \$4,000.00, which such application fee Landlord acknowledges has been received.

Tenant covenants to furnish to Landlord, promptly upon request, proof of the payment of any amount or charge required to be paid by Tenant hereunder.

Section 7.2      Payments in Lieu of Taxes.

(a) Landlord and Tenant recognize that under present law, including specifically Section 7-53-305 of the Act, the properties owned by Landlord are exempt from all taxation in the State of Tennessee. Tenant agrees, however, as long as this Lease is in effect to make payments in lieu of taxes ("PTIP Payments") to Knox County, Tennessee and Knoxville, Tennessee, in accordance with the provisions of this Section 7.2.

Commencing with the Tax Year (as defined below) beginning January 1, 2017, and for each Tax Year thereafter through and including the Tax Year beginning January 1, 2031, Tenant shall be required to pay the following amounts to Landlord as PTIP Payments:

Tax Year	PTIP Amount	Portion of PTIP Allocable to Knox County	Portion of PTIP Allocable to City of Knoxville
2017	\$12,311.70	\$5,661.00	\$6,650.71
2018	\$12,311.70	\$5,661.00	\$6,650.71
2019	\$12,311.70	\$5,661.00	\$6,650.71

2020	\$12,311.70	\$5,661.00	\$6,650.71
2021	\$12,311.70	\$5,661.00	\$6,650.71
2022	\$12,311.70	\$5,661.00	\$6,650.71
2023	\$12,311.70	\$5,661.00	\$6,650.71
2024	\$12,311.70	\$5,661.00	\$6,650.71
2025	\$12,311.70	\$5,661.00	\$6,650.71
2026	\$12,311.70	\$5,661.00	\$6,650.71
2027	\$12,311.70	\$5,661.00	\$6,650.71
2028	\$12,311.70	\$5,661.00	\$6,650.71
2029	\$12,311.70	\$5,661.00	\$6,650.71
2030	\$12,311.70	\$5,661.00	\$6,650.71
2031	\$12,311.70	\$5,661.00	\$6,650.71
2032	\$12,311.70	\$5,661.00	\$6,650.71

It is the parties' intent that during the Tax Years identified above, Tenant shall not be required to pay an amount in real property taxes with respect to the Premises constituting the Project in excess of the Existing Tax Payment. Such reduction shall not apply (a) upon expiration of the Term, (b) in the event that Tenant assumes ownership of the Premises; or (c) with regard to any other tax assessed against Tenant, its income, or its real or personal property. Upon the acquisition of the Project by Tenant, Tenant shall begin paying all applicable ad valorem and other taxes directly to Knox County, Tennessee and Knoxville, Tennessee, as assessed, but shall not make, from the date of such acquisition, any in lieu payments with respect to such property, provided that the PTIP Payment for the Tax Year in which the acquisition takes place and any prior Tax Years for which the PTIP Payment has not yet been paid shall be due and payable upon the close of such acquisition as provided below, provided further that the PTIP Payment payable with respect to any partial Tax Year during the Term shall be prorated based upon the actual number of days this Lease was in effect during such Tax Year. "Tax Year" means each annual period beginning on January 1 in each year.

It is the intent of this Section 7.2 that Knox County, Tennessee and Knoxville, Tennessee shall receive the amounts in lieu of all ad valorem taxes which are or may be assessed against the Premises and the leasehold interests therein of Tenant or any sublessee for and during the term of this Lease and not the amounts that would be payable if the Project were privately owned and fully subject to property taxation, minus those applicable reductions detailed above, notwithstanding Landlord's ownership of all or any part thereof. However, nothing contained in this Section 7.2 is intended or shall be construed to require the payment by Tenant of any greater amounts in lieu of taxes than would be payable as taxes if the Project was privately owned as aforesaid. It is accordingly understood and agreed that the amount payable by Tenant in any year under the provisions of this Section 7.2 shall be reduced by the amount of any real property taxes lawfully levied by Knox County, Tennessee and Knoxville, Tennessee upon the Project or any part thereof, or upon Tenant's leasehold estate therein, and actually paid by Tenant pursuant to the requirements of Section 7.2 hereof.

The PTIP Payments provided in this Section 7.2 for each year shall accrue on October 1 of each Tax Year and shall be due on or before the last day of the February immediately following the Tax Year with respect to which such payment relates, and the obligation to make any such payments shall survive the termination of this Lease as to any payments that accrue prior to such termination. Notwithstanding the immediately foregoing sentence, any PTIP Payment due and payable with respect to any Tax Year in which Tenant reacquires the Premises shall be payable upon the closing of the acquisition by Tenant of the Premises from Landlord pursuant to Section 12.1, if any, provided such closing occurs prior to the last day of the February immediately following such Tax Year. With respect to any payments made pursuant to this Section prior to the date they are due, Tenant shall be entitled to the same discounts, if any, as any taxpayer in Knox County, Tennessee or Knoxville, Tennessee is entitled to receive with respect to the payment of property taxes prior to the date such taxes are due.

Notwithstanding the foregoing or any other provisions of this Lease, however, it is the express intention of the parties hereto that, pursuant to the provisions of Tennessee Code Annotated Section 7-53-305, the Premises and the leasehold interests therein of Tenant, or any sublessee, shall be exempt from all taxation in the State of Tennessee, and that the PTIP Payments as provided for in this Section 7.2 shall be made by and accepted from Tenant in lieu of all ad valorem taxes which are or may be assessed against the Premises and the leasehold interests therein of Tenant or any sublessee for and during the term of this Lease. If, following an Event of Default, the Premises should legally be placed on the ad valorem tax rolls of either Knox County, Tennessee or Knoxville, Tennessee, the payment in lieu of taxes shall terminate and Tenant shall thereafter pay ad valorem taxes as required of a tax-paying entity. In the event Tenant's leasehold interest, but not Landlord's fee interest, shall become subject to ad valorem taxation, the payment in lieu of taxes called for hereunder shall continue, but shall be reduced on a cumulative basis by the amount of ad valorem taxes paid by Tenant with regard to its leasehold estate in the Premises. In the event the payment in lieu of taxes obligation terminates, Tenant shall still have the right to exercise its option to purchase the Premises as set forth in Section 12.1 hereof. In such event, the provisions of Section 12.1 and Section 12.3 shall apply and Landlord shall reconvey the Premises to Tenant, subject to any then existing indebtedness created or incurred by or at the request of Tenant; and Tenant shall pay to Landlord, as consideration therefore, the sum of One Thousand Dollars (\$1,000.00).

All tax bills for payments in lieu of taxes as provided for in Section 7.2 shall be sent to: 4129 Homberg Drive, Suite D-2, Knoxville, Tennessee 37919, or to such other entity or address as Tenant may hereafter designate and provide to the tax collectors.

(b) If any such PTIP Payments are not paid by the applicable dates on which they are due, then Tenant shall pay a penalty with respect to such delinquent PTIP Payment from and after the delinquency date in the same amount as the penalty and all other charges which would be due on the corresponding Knox County, City of Knoxville, or other applicable Municipality ad valorem taxes.

Section 7.3 Other Taxes, Assessments, or Other Charges. Except as provided for in Section 7.2(b) above, if any Governmental Authority enacts or imposes any tax, assessment, or other charge on realty or leasehold interests which are not in existence or collected as of the date of this Lease, Tenant shall pay said tax, assessment, or other charge as Additional Rent under this Lease and said tax, assessment, or other charge, if based on the assessment assigned to realty, shall be calculated on an assessment determined as though the Premises were owned by a tax-paying entity.

#### Section 7.4 Reports to Landlord; Lease Compliance Information.

(a) On or before March 1 of each year during the Term of this Lease, commencing March 1, 2017, or as otherwise reasonably requested by Landlord, Tenant shall file or cause to be filed with Landlord (i) a report initially in the form of Exhibit C attached hereto and incorporated herein by

reference, as such form may be revised by Landlord from time to time (the "Report"), containing all information required by Landlord to determine Tenant's compliance with the terms and requirements of this Lease and the Application, (ii) a copy of the most recently issued [Assisted Living License issued for the Project by the Bureau of Health Licensure and Regulation of the State of Tennessee], and (iii) such other information reasonably requested by Landlord ("Lease Compliance Information"). Each Report shall be certified by an Authorized Tenant Representative. Upon the request of Landlord, Tenant shall provide any and all other additional information reasonably requested by Landlord to determine Tenant's compliance with the Lease and the Application.

(b) Tenant shall also prepare and file with the State of Tennessee's State Board of Equalization by October 1 of each year during the term hereof and an annual reporting containing all of the information required pursuant to Tennessee Code Annotated 7-53-305(e), together with such other information, and using such forms, as such Board of Equalization may require from time to time. A copy of the annual report so filed by Tenant shall be filed with the property assessor's office of Knox County, Tennessee and the City of Knoxville, Tennessee and with Landlord by the immediately succeeding October 15.

Section 7.5 Survival. The obligations of Tenant to pay any amount due at the termination of this Lease pursuant to this Article VII, shall survive the termination of this Lease.

## **ARTICLE VIII INSURANCE**

Section 8.1 General Requirements. Tenant shall keep the Premises, existing as of the commencement of this Lease or thereafter constructed, erected, installed and purchased constantly and satisfactorily insured by an insurance company or companies lawfully doing business in Tennessee against losses under an All Risks Special Form Policy, in an amount not less than the full replacement costs of the Premises without deduction for depreciation. The policy evidencing this coverage shall be endorsed with a Replacement Cost Endorsement. The amount of the coverage shall be reviewed annually and increased if necessary so as to provide coverage at all times in an amount necessary to restore the Premises to the conditions existing just prior to the destruction or damage.

Tenant shall further keep or maintain or cause to be carried commercial general liability insurance on the Premises covering claims for bodily injury, death and property damage with a combined single limit of not less than One Million Dollars (\$1,000,000.00), with "umbrella" liability coverage in an amount not less than Three Million Dollars (\$3,000,000.00), or such greater amounts as may from time to time be reasonably required by Landlord. Landlord shall be named as an additional insured on policies referred to in this paragraph.

Tenant shall further maintain the following insurance:

(a) During the course of any construction or repair of Improvements on the Premises, Builder's Risk insurance under a Builder's All Risk Policy against "all risks of physical loss," including collapse and transit coverage, during construction of such Improvements covering the total value of work performed and equipment, supplies and materials furnished.

(b) If any part of the Premises now or hereafter lies within a "special flood hazard area" as defined and specified by the United States Department of Housing and Urban Development pursuant to the Flood Disaster Protection Act of 1973, Tenant shall (i) promptly purchase and pay the premiums for flood insurance policies as Landlord deems required so that Landlord shall be deemed in compliance with the rules and regulations and provisions of the Flood Disaster Protection Act of 1973 as

then in effect; and (ii) deliver such policies to Landlord together with evidence satisfactory to Landlord that the premiums therefor have been paid. Such policies of flood insurance shall be in a form reasonably satisfactory to Landlord, shall name Landlord as an insured thereunder, shall be for an amount at least equal to the maximum limit of coverage made available with respect to the Premises under the National Flood Insurance Act of 1968, as amended, whichever is less.

(c) Such other insurance on the Premises, or any replacements or substitutions therefor, in such amounts as may from time to time be reasonably required by Landlord against other insurable casualties which at that time are commonly insured against in the case of properties of similar character and location, due regard being given to the height and type of the Tenant Improvements, their construction, location, use and occupancy, or any replacements or substitutions therefor.

Provided that no Event of Default has occurred and remained uncured for any applicable cure period, Tenant shall have the option to apply all insurance proceeds either to the repair, restoration and replacement of the Premises, or to retain the proceeds upon the exercise of its option to purchase the Premises in accordance with Article XII. Notwithstanding the foregoing, Landlord's or Tenant's entitlement to insurance proceeds shall be subject to the rights of any Lender under a Security Instrument.

Section 8.2 Additional Covenants. All insurance policies and renewals thereof shall be in form reasonably acceptable to Landlord, shall be issued by a company or companies reasonably acceptable to Landlord, and shall name Landlord as the named insured or an additional insured, as its interest may appear. Said policies and renewals shall provide for no less than thirty (30) days' written notice to Landlord of any cancellation or amendment thereof. Certificates of said insurance policies and renewals satisfactory to Landlord shall be provided Landlord prior to the effective date thereof, or, upon written request, Landlord shall have the right to hold the policies and renewals thereof. Upon the request of Landlord, Tenant shall promptly furnish to Landlord all renewal notices and all receipts for paid premiums. At least thirty (30) days prior to the expiration date of any of the policies, Tenant shall deliver to Landlord renewal policies in form reasonably satisfactory to Landlord together with receipts evidencing the payment for such policies and renewals. If Tenant fails to maintain the insurance required hereunder, Landlord may, at its option, pay such premiums, or take such other actions, as may be necessary in order to keep any such insurance in full force and effect. In such event, Tenant shall promptly reimburse Landlord for any such payments on demand, or, at the option of Landlord, all sums so paid by Landlord shall bear interest in accordance with Section 5.3(b). All premiums on insurance policies shall be paid promptly when due.

**ARTICLE IX**  
**MAINTENANCE, REPAIR, IMPROVEMENTS AND REPLACEMENT**

Section 9.1 Tenant's Agreement to Maintain and Repair. Tenant acknowledges that Tenant is accepting the Premises "As-Is" and "With All Faults" and that LANDLORD MAKES NO WARRANTY TO TENANT WHATSOEVER, WHETHER EXPRESS OR IMPLIED, AS TO THE CONDITION OF THE PREMISES ALL OF SUCH WARRANTIES BEING EXPRESSLY DISCLAIMED BY LANDLORD, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY OF MERCHANTABILITY OR WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE. Tenant agrees that at its expense it will keep and maintain the Improvements and the Premises in good repair and condition, reasonable wear and tear, and damage by fire or other casualty expressly excepted. Tenant shall promptly make or cause to be made all interior and exterior, structural and non-structural, ordinary and extraordinary, foreseen and unforeseen repairs, including the maintenance, repair, and replacement necessary to keep the Premises in good and lawful order and condition, wear and tear from reasonable use and damage by fire and other casualty being expressly excepted, whether or not such repairs are due to any Legal Requirement. All permanent replacements, renewals, attachments, and accessories made to, placed on, or affixed to any part of the Real Property, which become fixtures under applicable law, shall become a part of the Real Property, provided, however, in the event that the Premises are transferred to Tenant, whether as a result of the exercise by Tenant of its right to purchase pursuant to Article XII hereof, or otherwise, any deed or instrument of transfer shall include not only the Improvements to the Premises, but also all such replacements, renewals, attachments and accessories constituting fixtures.

Section 9.2 Landlord's Repairs. At any time an Event of Default has occurred and is continuing, and if such Event of Default is not cured within any applicable cure period, then after notice to Tenant, Landlord may, but shall not be required to, rebuild or make any repairs, replacements, or renewals of any nature or description in connection with this Lease or maintain the Improvements or the Premises in any way. Tenant expressly waives the right contained in any Legal Requirement now or hereafter in effect to make any repairs at the expense of Landlord. If Landlord shall (in its sole discretion) advance funds with which to make such repairs, replacements, renewals, or other expenditures, such sums shall be payable by Tenant as Additional Rent hereunder pursuant to Section 5.3 above.

Section 9.3 Additions to Premises. Subject to Article III and Section 4.4, Tenant shall have the right to make replacements for, additions to, alterations of, and improvements to the Premises, structural or otherwise, to construct and equip additions thereto, to attach machinery, equipment, and fixtures thereto, as part of the real estate, and to modify all of the above at its expense, as Tenant in its discretion may determine appropriate, provided that the same shall not materially decrease the value of the Premises or materially change the use thereof. All work done in connection with such additions, alterations or improvements shall be done promptly and in a good and workmanlike manner. Tenant shall pay the cost of such replacements, additions, alterations and improvements. Upon the expiration or termination of this Lease, all such replacements, additions, alterations and improvements which have been affixed to the Real Property and are fixtures, including, without limitation, the Tenant Improvements, under applicable law, shall remain and shall belong to and be the property of Landlord, subject, however, to Tenant's option to purchase under Section 12.1.

Section 9.4 Personal Property. Tenant or its permitted sublessee(s) may at any time or times during the Term hereof install or commence the installation of any machinery, equipment, furnishings, trade fixtures, and other personal property to such extent as Tenant may deem desirable, provided however, that such installation shall not be permitted to interfere materially with the use and operation of the Premises as set forth in the Application.

Section 9.5 Removal of Personal Property. In the event Tenant or its permitted sublessee determines that any items of personal property installed pursuant to Section 9.4 have become inadequate, obsolete, or worn-out and that the removal thereof will not substantially interfere with the operation or substantially decrease the use of the Premises, Tenant may remove such items of personal property from the Premises and sell, trade-in, exchange, or otherwise dispose of the same.

## **ARTICLE X DEFAULT; REMEDIES**

Section 10.1 Events of Default. Any one or more of the following events shall constitute an "Event of Default":

(a) Tenant fails to pay the Base Rent or Additional Rent, as and when due or within ten (10) days thereafter.

(b) Tenant fails to complete the Tenant Improvements by the Tenant Improvements Completion Date.

(c) Any other representation or warranty made by Tenant herein or in the Application, or any other representation or warranty made by Tenant in any statement or certificate furnished by Tenant either required hereby or in connection with the execution and delivery of this Lease, proves to be untrue in any material respect as of the date it was made.

(d) Tenant ceases to operate the Project or abandons the Project for a period of sixty (60) days or more.

(e) Tenant fails to file on time any Report (or any related financial statements) required under Section 7.4; or if any information contained in any such report proves to be untrue.

(f) Any other default or an event of default (including, in any case, the expiration of any permitted period for the curing of any such default) occurs under any Tenant Document or other agreement between Landlord and Tenant, or any default occurs under any document executed by Tenant related to the Project or the Premises, including, without limitation, any Security Instrument, which in each case results in a material adverse effect upon Tenant.

(g) Any Lender forecloses on its interest in the Premises or otherwise takes control or possession of the Premises pursuant to its rights under any Security Instrument.

(h) Any material adverse change occurs in the use or operation of the Premises and/or the Project from that set forth in the Application without the prior written consent of Landlord, which consent shall not be unreasonably withheld or delayed.

(i) Tenant fails to continuously operate a multi-family housing/independent senior living facility providing independent senior living units for persons over the age of sixty-two (62) on the Premises as provided in the Application and the Proposal at all times during the Term.

(j) Tenant fails in the due performance of, or compliance with, any of the other terms of this Lease.

Except for Events of Default based on subsections (a), (d) and (g) above, and Events of Default for which a cure period has been specifically provided, no Event of Default shall occur under this Section



10.1 until such default continues for thirty (30) days after Landlord shall have given Tenant written notice of such default, provided, however, that in the event any such default cannot reasonably be cured within the thirty (30) day period but can reasonably be cured within a sixty (60) day period, Tenant shall have an additional period of time, not to exceed sixty (60) days, after such written notice to cure such default provided Tenant commences such cure during the initial thirty (30) period and diligently pursues its completion at all times thereafter.

Section 10.2 Force Majeure. With the exception of Section 10.1(b) which already takes into account for Force Majeure events by its terms, the provisions of Section 10.1 are subject to the limitation that if by reason of Force Majeure, Tenant is unable, in whole or in part, to carry out its agreements and covenants herein contained, other than its obligation to pay Base Rent and Additional Rent, Tenant shall not be deemed in default during the continuance of such inability.

Tenant agrees, however, to remedy with all reasonable dispatch the cause or causes preventing it (as the case may be) from carrying out its agreements and covenants.

Section 10.3 Rights to Cure. If an Event of Default occurs, Landlord may (but shall not be obligated to), advance funds, make payments and perform any such acts for the account of Tenant and at its expense, may enter upon the Premises for any purpose, and take all other actions as may be reasonably necessary or appropriate to protect its interest under this Lease. No such entry shall be deemed an eviction of Tenant. All sums so paid by Landlord and all necessary and incidental costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) incurred by Landlord, together with interest at the maximum rate of interest allowed by law, shall be due and payable by Tenant as Additional Rent and may be credited against any sums due to Tenant.

Section 10.4 Landlord's Rights Upon Default.

(a) Except as otherwise expressly provided herein, if any Event of Default, as defined in Section 10.1, occurs and is not cured within any applicable cure period, Landlord may exercise its right to terminate this Lease and without further notice may enter upon and repossess the Premises and may remove Tenant and all other persons and any and all property from the Premises.

(b) Except as otherwise expressly provided herein, if an Event of Default occurs and is not cured within any applicable cure period, Landlord shall have the right of entry, repossession, and removal prior to the expiration of the Term of this Lease. Landlord shall be under no obligation to terminate this Lease prior to exercising its rights of entry, repossession and removal. If Landlord exercises such rights without terminating this Lease, this Lease shall continue in full force and effect for the balance of its Term, except that Tenant shall have no right of possession from the date of the exercise of such right; provided that the exercise of such right shall not preclude the subsequent exercise of any other right under this Lease, including the right of termination pursuant to Section 10.1 hereof.

(c) Tenant covenants and agrees to pay, and to indemnify Landlord from and against, all costs and charges, including reasonable attorneys' fees, lawfully and reasonably incurred in (i) obtaining possession of the Premises after default by Tenant or upon expiration or earlier termination of the Term hereof, and (ii) enforcing any provision of this Lease.

(d) Tenant hereby (i) irrevocably submits to the exclusive jurisdiction of the state courts of the State of Tennessee located in Knox County, Tennessee and to the jurisdiction of the United States District Court for the Eastern District of Tennessee located in Knox County, Tennessee, for the purpose of any suit, action, or other proceeding arising out of or based upon this Lease, the Tenant Documents or any other document or transaction related directly or indirectly to the transactions

contemplated herein; (ii) waive and agree not to assert by way of motion, as a defense, or otherwise, in any such suit, action, or proceeding, any claim (A) that each is not subject personally to the jurisdiction of the above-named courts, (B) that the suit, action, or proceeding is brought in any inconvenient forum, (C) that the venue of the suit, action, or proceeding is improper, or (D) that this Lease or any of the Loan Documents or the subject matter hereof or thereof may not be enforced in or by such court.

Section 10.5 Reletting. Except as otherwise provided herein, at any time or from time to time after the termination of this Lease pursuant to Section 10.4(a), Landlord may, (but shall be under no obligation to) relet the Premises or any part thereof for the account of Tenant, in the name of Tenant or Landlord, or otherwise without notice to Tenant, for such term or terms (which may be greater or less than the period which would otherwise have constituted the balance of the Term of this Lease), on such conditions and for such uses as Landlord in its discretion may determine. Landlord may collect and receive the rents therefor. Landlord shall have the same right to relet if it exercises its right of entry, repossession, or removal without termination of this Lease as provided in Section 10.4(b). Landlord shall not be responsible or liable for any failure to relet the Premises or any part thereof, or for any failure to collect any rent due upon any such reletting. Any such reletting pursuant to this Section 10.5 shall, in all events, be subject to and expire upon the exercise of Tenant's purchase option set forth in Article XII.

Section 10.6 Survival of Tenant's Obligations. No termination of this Lease pursuant to Section 10.4(a) or repossession of the Premises pursuant to Section 10.4(b), or otherwise, shall relieve Tenant of its respective liabilities and obligations hereunder, all of which shall survive any such termination or repossession. If this Lease is terminated pursuant to Section 10.4(a) or if Landlord exercises its right of entry without termination of the Lease as provided in Section 10.4(b), Tenant shall pay to Landlord the Base Rent and all Additional Rent and other charges required to be paid under this Lease or otherwise, by Tenant up to the time of such termination or repossession. Thereafter Tenant, until the end of what would have been the Term of this Lease in the absence of such termination or repossession and whether or not the Premises or any part thereof shall have been relet, shall be liable for and shall pay to Landlord as and for liquidated and agreed current damages for Tenant's default the following:

The Base Rent, Additional Rent, and other charges which would be payable under this Lease by Tenant if the Term of this Lease had not been terminated or the Premises reposessed, less the net proceeds, if any, of any reletting effected for the account of Tenant pursuant to the provisions of Section 10.5. In addition, Tenant shall pay on demand all of Landlord's necessary and incidental expenses in connection with such reletting, including, without limitation, all repossession costs, brokerage commissions, legal expenses, reasonable attorneys' fees and expenses, employees' expenses, alteration costs and expenses of preparation for such reletting.

Section 10.7 Additional Remedies. In addition to the right to terminate this Lease and any other remedies provided for herein, when any Event of Default occurs and is not cured within any applicable cure period, Landlord may take whatever other action at law or in equity may appear necessary or desirable to collect the Base Rent, Additional Rent, and any other monetary obligation of Tenant hereunder when due, or to enforce any obligation, covenant, or agreement of Tenant under this Lease. If Landlord elects to terminate this Lease after an Event of Default, Landlord's remedies shall include, but are not limited to, Landlord's right to convey the Premises to Tenant and retain a vendor's lien for all sums due and payable to Landlord by Tenant at the time of the conveyance.

**ARTICLE XI  
CONDEMNATION AND CASUALTY**

Section 11.1 Condemnation Proceeds. If all or any part of the Premises is taken by the exercise of the power of eminent domain or condemnation, Tenant shall receive the entire award for the taking. If the award is disbursed by the condemning authorities to Landlord, Landlord shall immediately pay the award to Tenant. Tenant shall be entitled to the proceeds of any condemnation award or portion thereof separately awarded for damages to, or takings of, Tenant's property, or for damages on account of the taking or an interference with Tenant's right to possession, use, or occupancy of the Premises.

Section 11.2 Termination of Lease Upon Condemnation. If all or substantially all of the Premises are taken by the exercise of the power of eminent domain or condemnation, or if the exercise of the power of eminent domain renders the Premises and the use thereof unsatisfactory to Tenant for the purposes for which they were intended, Tenant shall have the right to either acquire the Premises pursuant to the provisions of Section 11.1 or terminate this Lease. Until the purchase or termination has taken place, this Lease shall continue in full force and effect without abatement of rent.

Section 11.3 Continuation of Lease Upon Condemnation. If a lesser portion of the Premises are taken by the exercise of the power of eminent domain or condemnation, this Lease shall nevertheless continue in full force and effect without abatement of rent. If such taking causes damage to, or necessitates the restoration or rebuilding of the Premises or a portion thereof, Tenant, at its sole cost and expense, shall promptly and diligently restore and rebuild to such condition as it shall deem reasonable in view of the nature of the taking and the then intended use of the Premises by Tenant.

Section 11.4 Minor Casualty. If a minor part of the Premises is destroyed or damaged, Tenant shall promptly notify Landlord and at Tenant's expense, Tenant shall promptly and diligently rebuild, restore, replace, and repair the same to such condition as it shall deem reasonable in view of the nature of the damage and the then intended use of the Premises by Tenant.

Section 11.5 Substantial or Complete Casualty. If the entire Premises, or a substantial part thereof, shall be damaged or destroyed to such an extent that restoration thereof cannot be accomplished within ninety (90) days from the date of damage, Tenant shall have the right to either restore the Premises as provided in Section 10.4, acquire the Premises pursuant to the provisions of Section 11.1, or terminate this Lease. If Tenant acquires or restores the Premises, Landlord shall then assign to Tenant (to the extent not previously paid to Landlord) or shall then pay to Tenant (to the extent the same have previously been paid to Landlord but not applied to the repair or restoration of the Premises) all insurance proceeds arising out of such damage or destruction. The foregoing shall in no way, however, supersede or modify the rights of Tenant and any permitted sublessee.

**ARTICLE XII  
OPTION TO PURCHASE, INVESTMENT TAX CREDIT AND LIMITATIONS**

Section 12.1 Option to Purchase. Tenant shall have the exclusive option at any time during the Term of this Lease or within thirty (30) days after the expiration or termination of this Lease for any reason whatsoever, including, without limitation, an Event of Default, to purchase all, but no less than all, of the Premises, subject to any then existing indebtedness created by or for the account of Tenant, as permitted or provided for in this Lease. The purchase price will be the sum of Ten Dollars (\$10.00) ("Option Price"). The exercise of such option by Tenant shall not relieve Tenant from the payment of any monetary obligations which shall be due and payable, or shall have accrued, under this Lease as of the date of conveyance. Tenant shall notify Landlord in writing thirty (30) days before the proposed date of purchase that Tenant desires to exercise its option to purchase hereunder. Upon payment by Tenant of the

purchase price in collected funds plus all expenses related thereto and any other sums due and payable hereunder, Landlord shall convey the Premises to Tenant, subject always to the liens of any Security Instrument.

Section 12.2 Investment Tax Credit. Landlord and Tenant hereby elect and agree that Tenant shall be entitled to any investment tax or similar credit, or grants, with respect to the Premises now or hereafter authorized by the Internal Revenue Code, or other legislation, and Landlord agrees to take all reasonable action necessary to make such investment tax election and obtain the benefits for same for Tenant at Tenant's request and expense, and to obtain such grants.

Section 12.3 Conveyance of Title. In the event of any purchase of the Premises or any portion thereof by Tenant pursuant to any provision of this Lease, Landlord shall convey title by a quitclaim deed to Tenant, subject to (i) liens for payments in lieu of taxes pursuant to Tenn. Code Ann. §7-53-305 and liens, encumbrances, charges, exceptions, and restrictions in existence as of the date of this Lease, (ii) liens, encumbrances, charges, exceptions, and restrictions which Tenant has subsequently requested to be placed, or caused to be placed, against the Premises, (iii) liens, encumbrances, charges, exceptions, and restrictions which Tenant has subsequently approved in writing to be placed against the Premises, (iv) liens, encumbrances, charges, exceptions, and restrictions for which Tenant is responsible under the terms and provisions of this Lease and which arise out of any default by Tenant in the performance of its obligations under this Lease, and (v) any other such liens, encumbrances, charges, exceptions, and restrictions not created or caused by Landlord or Landlord's Agents. Landlord shall not otherwise be obligated to convey any better title to Tenant than existed on the first day of the Term of this Lease. Tenant shall accept such title, subject to all such aforementioned liens and encumbrances.

Section 12.4 Survival of Rights. All provisions of this Article XII shall survive the expiration of the Term of this Lease (including any extensions therefore) or the termination of this Lease pursuant to any provision hereof (including, but not limited to, any termination pursuant to Article X or Article XI).

### **ARTICLE XIII MISCELLANEOUS PROVISIONS**

Section 13.1 Recording. Upon the request of either party, a memorandum of this Lease shall be executed and recorded in the proper public office for the recordation of deeds in Knox County, Tennessee.

Section 13.2 Signs. At the request of Landlord and the expense of Tenant any development or construction signs located at or on the Premises shall read: "The Industrial Development Board of the County of Knox has provided financial incentives and other assistance for this Project."

Section 13.3 Waivers. No waiver of any breach shall affect or alter this Lease or constitute a waiver of any other then existing or subsequent breach.

Section 13.4 Remedies. Subject to the express provisions and limitations of this Lease, each right, power, and remedy of Landlord or Tenant provided for in this Lease shall be cumulative and concurrent and shall be in addition to every other right, power, or remedy provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise, in any jurisdiction where such rights, powers, and remedies are sought to be enforced. The exercise of any one or more of the rights, powers, or remedies provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by Landlord or Tenant of any or all such other rights, powers, or remedies.

Section 13.5 No Claims against Landlord. Except as provided herein, nothing contained in this Lease shall constitute any consent or request by Landlord, express or implied, for the performance of any labor or services or the furnishing of any materials or other property in respect of the Premises or any part thereof, nor give Tenant any right, power, or authority to contract for, or permit the performance of, any labor or services or the furnishing of any materials or other property in such fashion as would permit the making of any personal claim against Landlord.

Section 13.6 Quiet Enjoyment. Landlord does not make any representation or covenant that Tenant shall have quiet and peaceful possession of the Premises. Landlord, however, agrees that it will not take any action to interfere with Tenant's peaceful and quiet enjoyment of the Premises and that in the event the peaceful and quiet enjoyment of the Premises shall be denied to Tenant or contested by anyone, Landlord shall upon request of Tenant join when necessary in any proceeding to protect and defend the quiet enjoyment of Tenant, provided that Tenant shall pay the entire cost of any such proceeding and reimburse, indemnify, and hold harmless Landlord from any cost or liability whatsoever.

Section 13.7 Governing Law; Entire Agreement. This Lease shall be governed exclusively by the provisions hereof and by the applicable laws of the State of Tennessee, and, together with the action taken by Landlord granting the PTIP incentives with respect to the Project set forth in the minutes of the meeting of the Board of Directors of Landlord held on October 11, 2016, and the Application (collectively, the "Related Documents"), expresses the entire agreement of the parties hereto. No party hereto shall be bound by any agreement or representation to any other party which is not expressly set forth in this Lease and the Related Documents and Reports.

Section 13.8 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 13.9 Notice. 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 delivered in person or if sent by United States certified or registered mail, postage prepaid, to Landlord, Tenant or if sent by recognized overnight service providing proof of delivery to Landlord or Tenant at such addresses as either may have designated from time to time in writing, and if to any Lenders under Section 4.5, or any permitted sublessee(s) under Section 4.6, addressed to their principal offices, or at such addresses as said Lenders or said permitted sublessee(s) shall have designated from time to time in writing to Landlord and Tenant. At the commencement of this Lease:

Landlord's address is 17 Market Square #201, Knoxville, Tennessee 37902 with a mandatory copy to counsel for the Board of Directors of Landlord: R. Christopher Trump, Egerton, McAfee, Armistead & Davis, P.C., 1400 Riverview Tower, 900 South Gay Street, Knoxville, Tennessee 37902;

Tenant's address is 4129 Homberg Drive, Suite D-2, Knoxville, Tennessee 37919, with a mandatory copy to Tenant's counsel: Stephen R. Wise, Esq., 625 S. Gay Street, Suite 160, Knoxville, Tennessee 37902.

Delivery in person shall be effective on the date of delivery. Delivery by mail shall be effective three (3) days from the date of posting in the United States Mail. Delivery by recognized overnight courier shall be effective the next business day following the date the notice is delivered to the recognized overnight courier for the delivery.

Section 13.10 No Default Certificates. Landlord and Tenant agree at any time and from time to time, upon not less than twenty (20) days prior written request by the other party or by any Lender, or by

any permitted sublessee(s), to execute, acknowledge, and deliver a statement in writing certifying that this Lease is in full force and effect and that they know of no default (or if there is a default, the grounds therefor) and the date to which the Base Rent and other charges have been paid in advance, if any.

Section 13.11 Headings. Headings in this Lease are for convenience of reference only and shall not define or limit the provisions thereof.

Section 13.12 Successors. 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 13.13 Counterparts. This Lease may be executed in two or more counterparts, each of which shall be deemed an original and all of which shall constitute one agreement. The signature of any party on a signature page intended by such party to be appended to a counterpart shall be deemed to be a signature to, and may be appended to, any counterpart, and the signature of any party to any counterpart shall be deemed to be a signature to, and may be appended to, any other counterpart.

Section 13.14 Amendments. This Lease may be modified or amended only by an instrument in writing signed by the parties (or their respective successors or assigns).

Section 13.15 Landlord's Limitation of Liability - No Personal Liability. Anything in this Lease to the contrary notwithstanding, Tenant agrees that it shall look solely to the Premises for the collection of any judgment (or other judicial process) requiring the payment of money by Landlord in the event of any default or breach by Landlord with respect to any of the terms, covenants and conditions of this Lease to be observed and/or performed by Landlord. No other property or assets of Landlord shall be subject to levy, execution or other procedures for the satisfaction of Tenant's remedies hereunder.

#### **ARTICLE XIV ENVIRONMENTAL MATTERS**

Section 14.1 Tenant's Environmental Representations and Warranties. Tenant represents, warrants and covenants to Landlord and its successors and assigns that:

(a) Except as set forth in the Environmental Reports, the Premises and their uses by Tenant comply and will at all times during the Term comply with, and Tenant is not in violation of, and has not violated and will not violate, in connection with the ownership, use, maintenance or operation of the Premises and the conduct of the business related thereto and therein, any applicable federal, state, county or local statute, law, regulation, rule, ordinance, code, license or permit relating to environmental matters, including but not limited to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. 9601 *et seq.*, the Resource Conservation and Recovery Act of 1976 as amended by the Hazardous and Solid Waste Amendments of 1984, 42 U.S.C. § 6901 *et seq.*, the Clean Air Act of 1986, as amended, 42 U.S.C. § 7401, *et seq.*, the Clean Water Act of 1977, as amended, 33 U.S.C. § 1251, the Toxic Substances Control Act of 1976, 15 U.S.C. § 2601, *et seq.*, the National Environmental Policy Act of 1975, 42 U.S.C. § 4321, the Safe Drinking Water Act of 1974, as amended, 42 U.S.C. § 300, *et seq.*, the Emergency Planning and Right-to-Know Act of 1982, 42 U.S.C. § 11001, *et seq.*, the Tennessee Water Quality Control Act, Tenn. Code Ann. § 69-3-101, *et seq.*, the Tennessee Air Quality Act, Tenn. Code Ann. § 68-201-101, *et seq.*, the Tennessee Solid Waste Disposal Act, Tenn. Code Ann. § 68-211-101, *et seq.*, the Tennessee Hazardous Waste Management Act, Tenn. Code Ann. § 68-212-101, *et seq.*, the Tennessee Petroleum Underground Storage Tank Act, Tenn. Code Ann. §68-215-101, *et seq.*, or any other Legal Requirements regulating, relating to or imposing liability or standards of conduct concerning any petroleum, petroleum byproduct (including, but not limited to, crude oil, diesel oil, fuel oil, gasoline,

lubrication oil, oil refuse, oil mixed with other waste, oil sludge, and all other liquid hydrocarbons, regardless of specific gravity), natural or synthetic gas, or hazardous, toxic, radioactive or any other regulated substance, product, material, waste, pollutant or contaminant which are defined as "hazardous substances," "hazardous materials," "hazardous waste," "toxic substances," or other similar designations by Legal Requirements (hereinafter "Hazardous Waste"), as may now or at my time hereafter be in effect (hereinafter "Environmental Laws").

(b) Without limiting the generality of (a), Tenant represents and warrants to Landlord, its successors and assigns that:

(i) Subsequent to the conveyance of the Premises to Landlord, Tenant will (and will require any permitted sublessee of the Premises) at all times receive, handle, use, store, treat, ship and dispose of all Hazardous Waste in strict compliance with all applicable Environmental Laws, and will continue to do so during the Term of this Lease.

(ii) Tenant has delivered (or caused to be delivered) to Landlord a copy of the Environmental Reports concerning the environmental condition of the Premises. Except as may be shown in the Environmental Reports, Tenant has no knowledge of or information regarding any Hazardous Waste located on the Premises.

(iii) To Tenant's actual knowledge, information and belief, except as set forth in the Environmental Reports, there are no violations of any Environmental Laws requiring any work, repairs, construction or capital expenditures with respect to the Premises, and Tenant has no knowledge or information, nor has Tenant received any notice of any such violations.

(iv) To Tenant's actual knowledge, information and belief, except in strict compliance with all applicable Environmental Laws, and except as set forth in the Environmental Reports, no Hazardous Wastes have been released into the environment, or deposited, discharged, placed or disposed at, on or near the Premises, nor have the Premises been used at any time by any person or entity as a landfill or a waste disposal site.

(v) No notices of any violation of any of the matters referred to above relating to the Premises or their use have been received by Tenant, and to Tenant's actual knowledge, there are no writs, injunctions, decrees, orders or judgments outstanding, no lawsuits, claims, proceedings or investigations pending or threatened, relating to the ownership, use, maintenance or operation of the Premises, nor (to Tenant's actual knowledge) is there any basis for such lawsuits, claims, proceedings or investigations being instituted or filed.

(vi) Tenant further represents and warrants to Landlord, its successors and assigns that, except as set forth in the Environmental Reports:

(A.) There are no monitoring wells on the Premises for monitoring Hazardous Waste.

(B.) To Tenant's actual knowledge, there are no underground storage tanks on the Premises.

(C.) To Tenant's actual knowledge, there is no evidence of PCB contamination from any power transformer, capacitor, or any other source on the Premises.

(D.) To Tenant's actual knowledge, there is no asbestos containing material (ACM) on the Premises.

(E.) Tenant knows of no fact or circumstance that may give rise to any future civil, criminal, or administrative proceedings against it relating to environmental matters involving the Premises.

Section 14.2 Tenant's Continuing Responsibility for Environmental Matters.

(a) Tenant covenants at its sole cost and expense, to remove or take remedial action required by any Environmental Law with regard to any Hazardous Waste released to the environment at, on, or from the Premises while under Tenant's possession and control during the Term of this Lease or any extension thereof.

(b) No removal or remedial action shall be taken except after reasonable advance written notice to Landlord; provided, however, that no notice shall be required if immediate action is required in order to comply with the requirements of any Legal Requirements or if immediate action would diminish the extent of any environmental problem or hazardous condition.

(c) Tenant shall indemnify Landlord for any action taken by Tenant, in accordance with Section 14.3 hereof to Landlord's satisfaction.

(d) Tenant shall at all times retain any and all liabilities arising from the handling, treatment, storage, transportation or disposal of any Hazardous Waste by Tenant or by any of Tenant's contractors.

(e) Upon Landlord's request, Tenant agrees that it shall use its best efforts to obtain a "brownfield agreement" with the Tennessee Department of Environment and Conservation with respect to any of the matters described in the Environmental Reports and to take any and all actions required thereunder.

Section 14.3 Tenant's Indemnification.

(a) Tenant shall indemnify and hold Landlord and its officers, directors, agents, counsel and employees harmless from and against any and all liabilities, losses, claims, penalties, damages (including, without limitation, consequential damages, interest, penalties, fines and monetary sanctions), and costs, and reasonable attorneys' and consultants' fees and expenses, court costs and all other out-of-pocket expenses incurred or suffered by Landlord by reason of, resulting from, or in connection with, or arising in any manner whatsoever out of the breach of any warranty or covenant or the inaccuracy of any representation of Tenant contained or referred to in this Article XIV. Landlord shall be entitled to conduct its own investigation in connection therewith and provide its own defense and charge Tenant with its reasonable and actual expense incurred in connection therewith.

(b) All representations, warranties, covenants, agreements and indemnities of Tenant contained in this Article XIV shall survive the Term of this Lease or any extensions hereof and the consummation of the transactions contemplated in this Lease, and shall not be affected by an investigation by or on behalf of Tenant or by any information Tenant may have or obtain with respect thereof.

[Signatures Appear on Following Pages]



[SIGNATURE PAGE FOR LEASE AGREEMENT]

IN WITNESS WHEREOF, the parties have executed this Lease as of the day and year first above written.

DOVER DEVELOPMENT CORPORATION

By: [Signature]  
Name: RICH DOVER  
Title: GENERAL MGR

THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX

By: [Signature]  
Name: Alvin Namic  
Title: Chair

STATE OF TENNESSEE  
COUNTY OF KNOX

Before me, the undersigned authority, a Notary Public in and for said county and state, personally appeared Richard Dover, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who upon oath acknowledged himself/herself to be the General Manager of DOVER DEVELOPMENT CORPORATION, the within named bargainor, a Tennessee corporation, and that he/she as such officer being authorized so to do, executed the within instrument for the purposes therein contained by signing the name of said corporation by himself/herself as such General manager.

Witness my hand and official seal at office in the aforesaid county, this 31<sup>st</sup> day of October, 2016.

[Signature]  
Notary Public

My Commission expires: 3/6/18



STATE OF TENNESSEE  
COUNTY OF KNOX

Before me, the undersigned authority, a Notary Public in and for said county and state, personally appeared Alvin Nance, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged himself/herself to be the Chair of **THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX**, the within named bargainor, a public non-profit corporation organized under the laws of the state of Tennessee, and that he/she as such officer being authorized so to do, executed the within instrument for the purposes therein contained by signing the name of said corporation by himself/herself as such Chair.

Witness my hand and official seal at office in the aforesaid county, this 27<sup>th</sup> day of October, 2016.

Rose Conley Smith  
Notary Public



My commission expires: December 21, 2016

**EXHIBIT A  
PROPERTY DESCRIPTION**

**EXHIBIT A**  
*Real Property Description*

SITUATED in the Second (2<sup>nd</sup>) Civil District of Knox County, Tennessee, within Ward Six (6) of the City of Knoxville, lying on the northwest side of East Fifth Avenue and being more fully described as follows:

BEGINNING at the point of intersection of the northwest right-of-way line of East Fifth Avenue and the northeast right-of-way line of Central Street, thence northwestwardly along the northeast right-of-way line of Central Street 383 feet to the point of intersection of said line and the southeast right-of-way line of Fourth Avenue; thence northeastwardly along the southeast right-of-way line of Fourth Avenue 215 feet 5 inches to the point of intersection of said line and the southwest right-of-line of Lamar Street, thence southeastwardly along the southwest right-of-way line of Lamar Street 383 feet to the point of intersection of said line and the northwest right-of-line of East Fifth Avenue; thence southwestwardly along the northwest right-of-way line of East Fifth Avenue 215 feet 5 inches to the POINT OF BEGINNING.

BEING the same property conveyed to Family Pride Corporation, a Tennessee Corporation, by quit claim deed of Knox County, Tennessee, a political subdivision of the State of Tennessee, a Home Rule Public Corporation and Charter Government, dated October 14, 2014 and recorded October 28, 2014 as Instrument No. 201410280023826, Register's Office, Knox County, Tennessee.

SEE ALSO Family Pride Corporation changed its name to Dover Development Corporation pursuant to the Articles of Amendment to the Charter recorded November 17, 2014 as Instrument No. 201411170027699, Register's Office, Knox County, Tennessee.

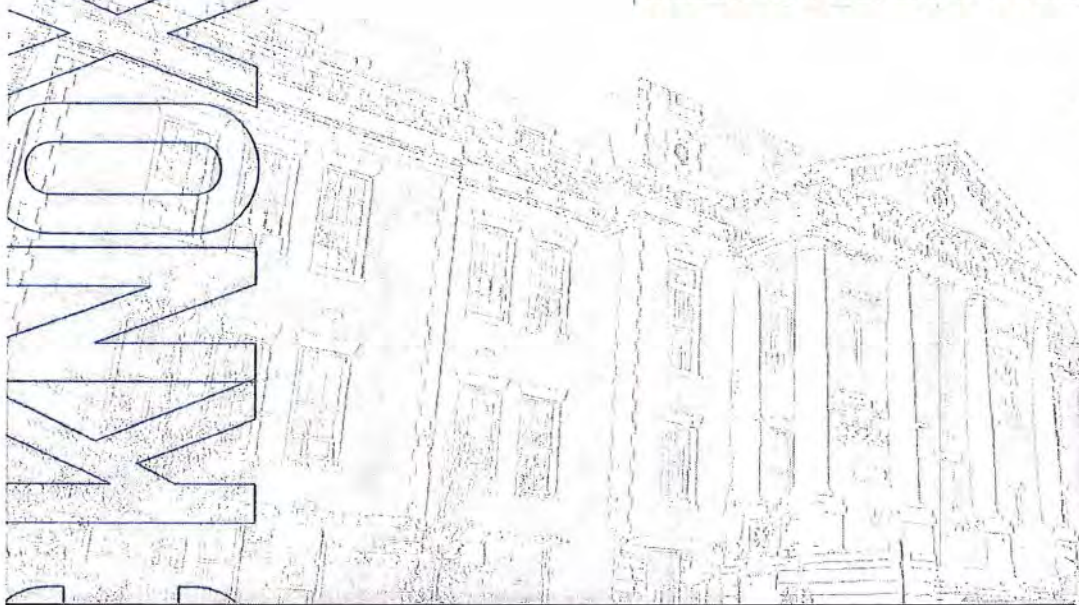
**EXHIBIT B  
PROPOSAL**

KNOXVILLE  
HISTORIC



A PROPOSAL FOR

# PURCHASE AND REDEVELOPMENT



# HISTORIC KNOXVILLE HIGH SCHOOL

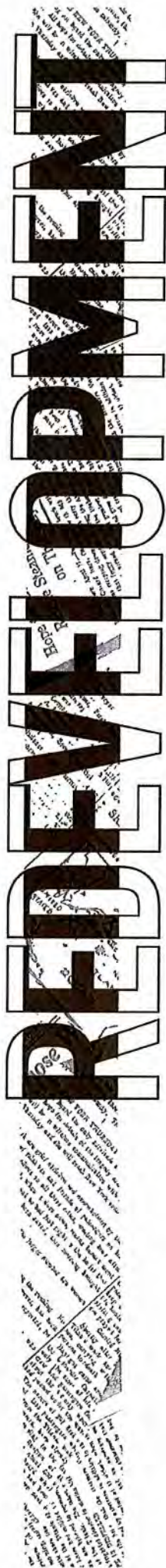


TABLE OF CONTENTS



**4.1/4.2** PROPOSER INFORMATION AND SIGNATURE

**4.3** NARRATIVE

**4.4** REMODELING AND RESTORATION OF EXISTING FACILITIES

**4.4.1** CONCEPT DRAWING

**4.4.2** DESCRIPTION OF INTENDED USE PROPOSED

**4.4.3** DESCRIPTION OF MATERIALS AND CONSTRUCTION METHODS TO BE USED

**4.4.4** PROPOSED SCHEDULE AND CALENDAR OF ACTIVITIES

**4.4.5** SOURCES AND METHODS OF FINANCING FOR CONSTRUCTION AND OPERATION

**4.4.6** DETAILED PARKING PLAN

**4.5** APPLICABLE BUSINESS EXPERIENCE

**4.6** BUSINESS REFERENCES

**4.7/4.8** FINANCIAL STATEMENTS / STATEMENT OF AUTHORIZATION

**4.9** COST PROPOSAL

**4.10** APPENDIX

# HISTORIC KNOXVILLE HIGH SCHOOL

## 4.1/4.2 PROPOSER INFORMATION AND SIGNATURE



Ben Sharbel  
Knox County Purchasing Division  
1000 North Central St., Suite 100  
Knoxville, TN 37917

Re: Proposal #1778, Sale & Redevelopment of Historic Knoxville High School

Mr. Sharbel:

We are pleased to submit this response to Knox County's Request for Proposal (#1778) regarding the Sale & Redevelopment of Historic Knoxville High School. Our team has the financial capacity, development expertise, and management experience to return this historic building to its place as a proud, contributing asset to the community and neighborhood.

Our proposal is being submitted by a team comprised of Family Pride Corporation and Southeastern Housing Foundation. Family Pride Corporation is a registered Knox County women-owned business.

Family Pride Corporation  
1125 Grove St.  
Loudon, TN 27774

Lucy E. Dover, President

Contact: Rick Dover, General Manager  
rickdover@familypridecorp.com  
(865) 924-0791

Southeastern Housing Foundation  
901 E. Summit Hill Dr., Suite 300  
Knoxville, TN 37915

Christopher L. Martin, President

Contact: Grant Rosenberg, VP of Housing  
grosenberg@klf.org  
(865) 207-5828

We confirm that the undersigned, or their assignees, have the authority to submit this proposal, respond to related inquiries, and negotiate on behalf of Family Pride Corporation and Southeastern Housing with respect to this proposal.

Sincerely,

Lucy E. Dover, President  
Family Pride Corporation

8/21/13  
Date

Christopher L. Martin, President  
Southeastern Housing Foundation

8/21/13  
Date



# HISTORIC KNOXVILLE HIGH SCHOOL

## 4.3 NARRATIVE

When Knoxville High School closed its doors in 1951, a major source of energy left the community. Over the next 62 years, Knox County has faced challenges in maintaining the structure itself and determining suitable and productive uses that are efficient and effective.

Our proposal calls for **100 UNITS OF SENIOR INDEPENDENT LIVING FOR PERSONS 62 AND OLDER**. This plan for the redevelopment of Historic Knoxville High will restore the physical structure of this great landmark, as well as the inherent energy that ceased over a half-century ago.

**We believe this proposal is the most compelling and competitive for the surrounding neighborhoods, the greater community, and Knox County government based on the following points:**

**MARKET AND NEED:** As referenced in the Community Design Center's report, many folks in the community support the redevelopment of Historic Knoxville High School for residential and senior living. Anecdotally, many would agree that with the baby boomer generation set to retire over the next several years, the market for low-maintenance, amenity and service-oriented housing is growing nationwide. Empirically, market data shows that **within a five mile radius of this site, 18,419 people are over 65 years old**. This suggests that a capture rate of only a half percent would lease this facility to capacity. Trends indicate that the over-65 population in this same area will **grow at least 15 percent over the next five years**. Finally, the need for affordable senior housing options is evidenced by a **median household income between \$22,000 and \$28,000** for this same demographic (65+ within five mile radius).

**COMPATIBILITY OF USE:** **Old school buildings are very well suited to be converted to senior living facilities.** A classroom can be converted into an apartment; a cafeteria into a dining hall; a library into...a library! There are many elements of this conversion that merit less intensive rehabilitation; however they yield tremendous value to residents.

**DESIGN ELEMENTS:** We will **fully rehabilitate the entire property** and pursue Federal Historic Tax Credits to ensure its rich architectural history is preserved. Leadership in Energy and Environmental Design (LEED) Certification will be sought to mitigate our environmental footprint and save energy costs. Because this property qualifies as assisted living and will have local transportation provided to its tenants, local zoning requires 30 spaces of parking.



**ECONOMIC IMPACT:** Given the property is currently a drain on local resources and generates zero revenue for Knox County, our **\$500,000 purchase price and \$13.7 million redevelopment** will place this large, historic property back onto the tax rolls, eventually generating over \$180,000 per year in City and County taxes. This project will certainly boost construction employment, but more importantly, it will create **18 new permanent jobs with an annual payroll of over \$480,000**. In addition, this facility will purchase local food and supplies leading to a boost in sales tax revenue. Beyond seeking Historic Tax Credits, a Payment in Lieu of Taxes (PILOT) and Community Investment Tax Credit (CITC) financing (all of which are referenced in the RFP), this property will not require any other long term subsidy or public assistance.

**ACCESSIBILITY TO THE PUBLIC:** While this would be a privately owned building, we are committed to making many of the **common spaces available to neighborhood and community organizations**. We intend to set aside a special room for use by the Historic Knoxville High School Alumni Association, and we have proposed **artist studio space**, to be located in the attic of the building, in which we hope to offer art classes to both our tenants and individuals throughout the community. The Arts & Culture Alliance of Greater Knoxville is a supporter of this concept (see appendix) and will assist us with programming. We would also **ensure via deed restriction that the Doughboy Statue would be preserved and maintained in perpetuity** for as long as it remains on the property. Our team has reached out to the 4th & Gill and Old North Knoxville neighborhood associations to inform them of our intentions. While we believe this proposal reflects the community sentiment detailed in the Community Design Center's recommendations, we would welcome further community input into the development of this project as it moves along.

**CAPACITY AND EXPERIENCE OF DEVELOPMENT TEAM:** Our development, management and ownership team is entirely local and has **more than 50 combined years of experience in property development and management**. Southeastern Housing Foundation is a Knoxville-based non-profit organization and Family Pride Corporation is a family-owned business from Loudon. Both entities develop and manage property throughout East Tennessee. Family Pride Corporation will be responsible for the management of the property, and Southeastern Housing Foundation will bring Community Investment Tax Credit financing to **allow these units to be affordable to senior citizens on a fixed income**. Our team has the **financial capacity, development expertise, and management experience** to ensure the success of this project. Additionally, we have financing lined up and can close on this property within 180 days, begin construction by Spring of 2014, and anticipate **opening the facility in Winter of 2015**.



WE BELIEVE THAT OUR PROPOSAL OFFERS KNOX COUNTY THE HIGHEST AND BEST USE FOR THE SALE AND REDEVELOPMENT OF HISTORIC KNOXVILLE HIGH SCHOOL. WE SEE THIS OPPORTUNITY AS A DISTINCT HONOR AND BELIEVE THIS PROJECT WILL PROVIDE A LEGACY THAT ALL GENERATIONS - PAST, PRESENT AND FUTURE - CAN BE PROUD OF.

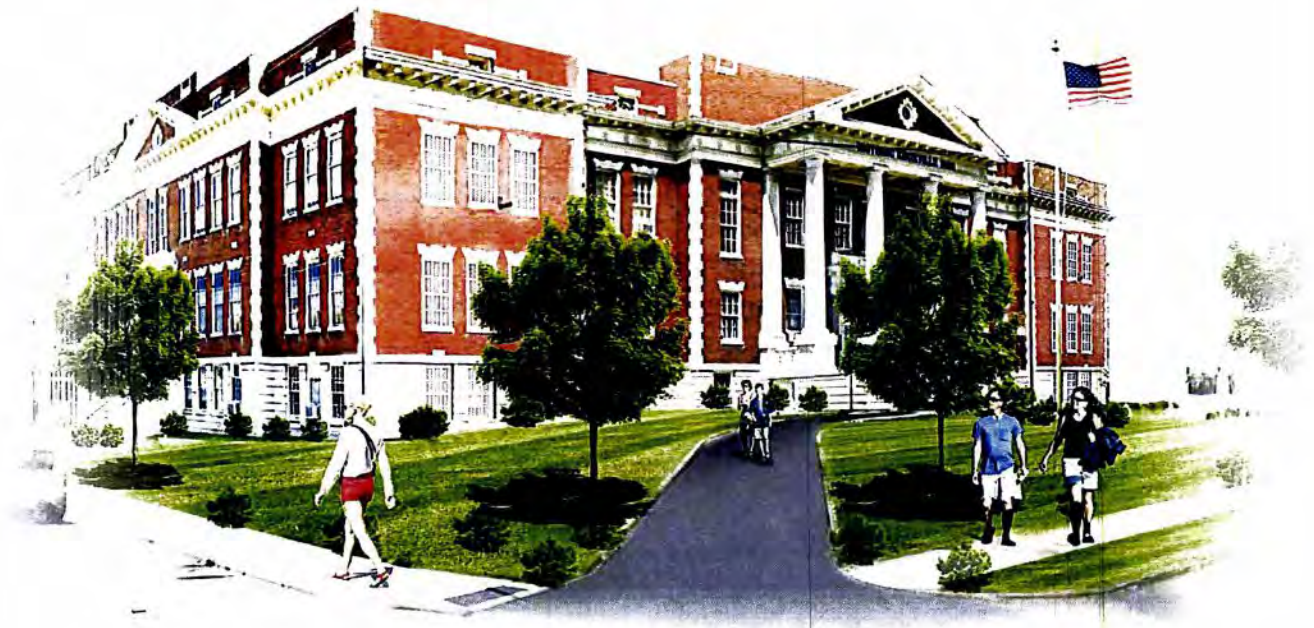
# HISTORIC KNOXVILLE HIGH SCHOOL

## 4.4 REMODELING & RESTORATION OF EXISTING FACILITIES



While the subject property has endured deferred maintenance and neglect over the past several years, the structure of the building appears to be sound and ample opportunity exists within the walls. As summarized earlier, the building will be completely restored and its original design and historic features will be preserved. Federal Historic Tax Credits will be pursued, which means that the Department of Interior guidelines will be strictly adhered to. In addition, the property falls under H-1 zoning, therefore local historic guidelines will apply. The historic Doughboy Statue will be preserved and maintained, and green space will be kept and expanded within the courtyard.

### 4.4.1 CONCEPT DRAWING

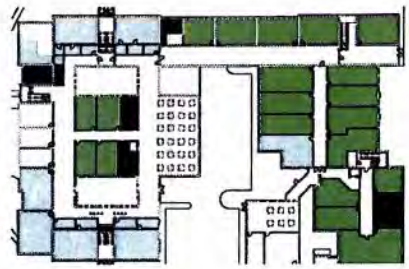


# HISTORIC KNOXVILLE HIGH SCHOOL

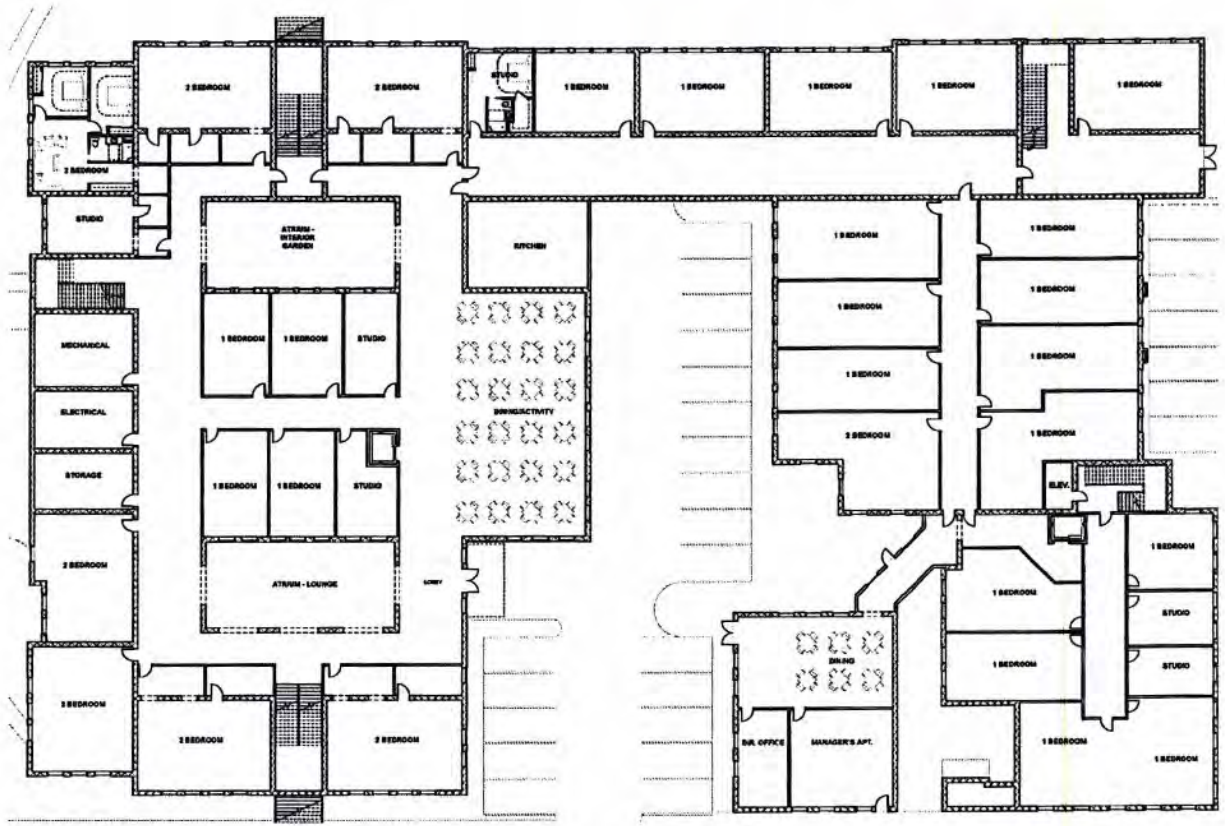
## 4.4.1 CONCEPT DRAWING



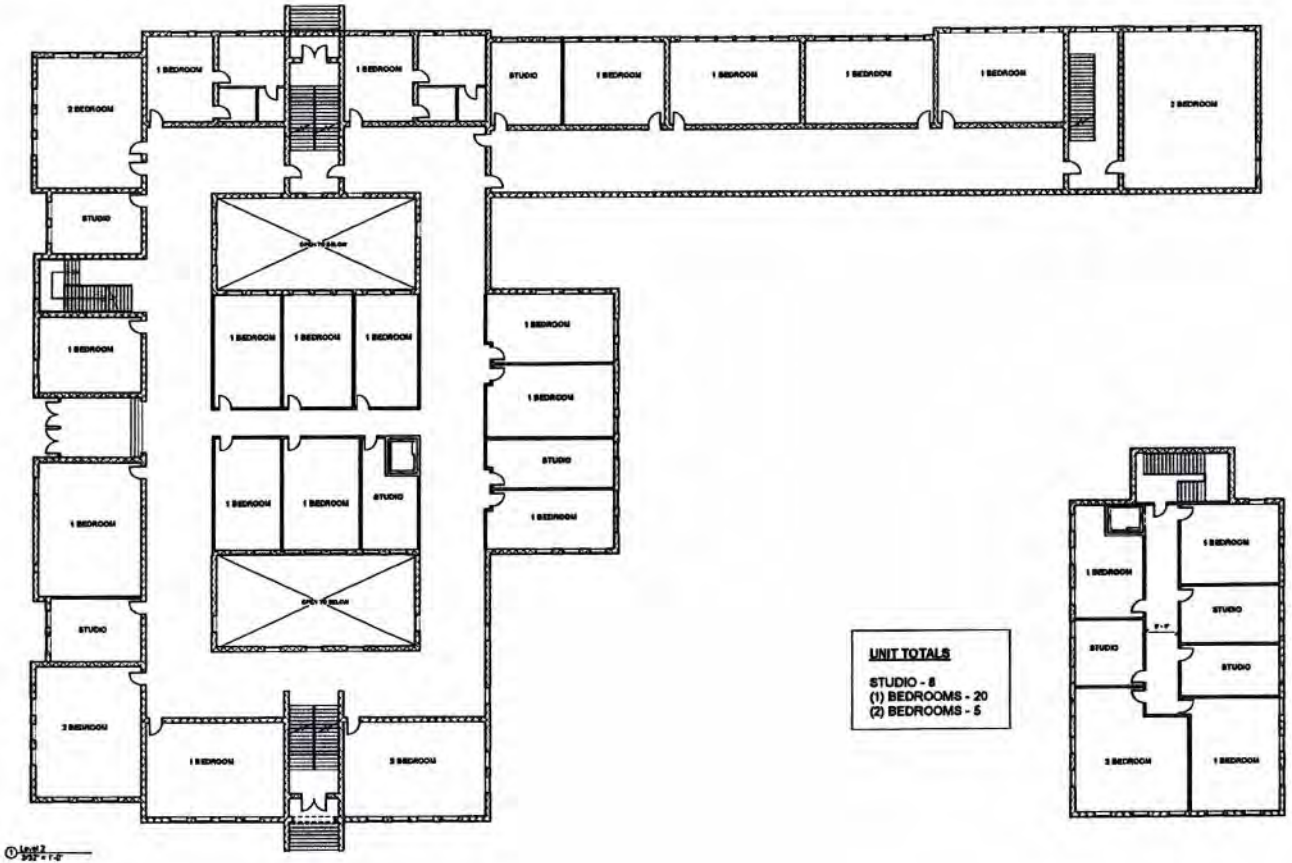
**UNIT TOTALS**  
 STUDIO - 6  
 (1) BEDROOMS - 21  
 (2) BEDROOMS - 8



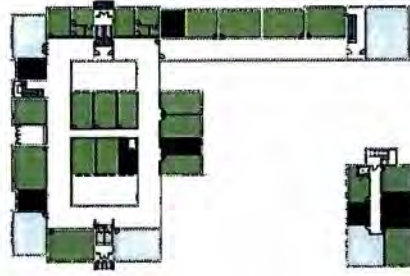
**Unit Legend**  
 ■ 1 BEDROOM  
 ■ 2 BEDROOM  
 ■ STUDIO



FIRST FLOOR

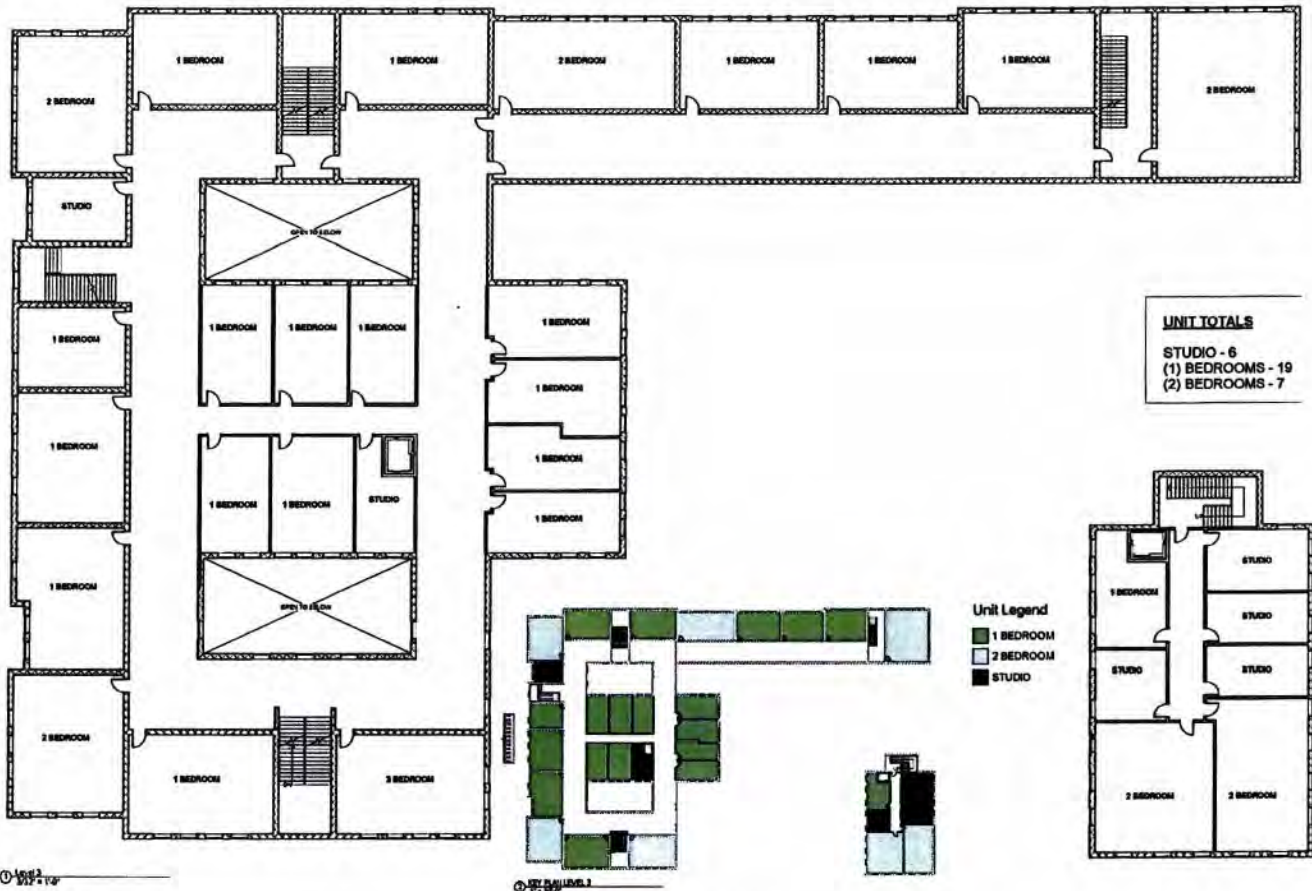


0-1002  
 1/2" = 1'-0"

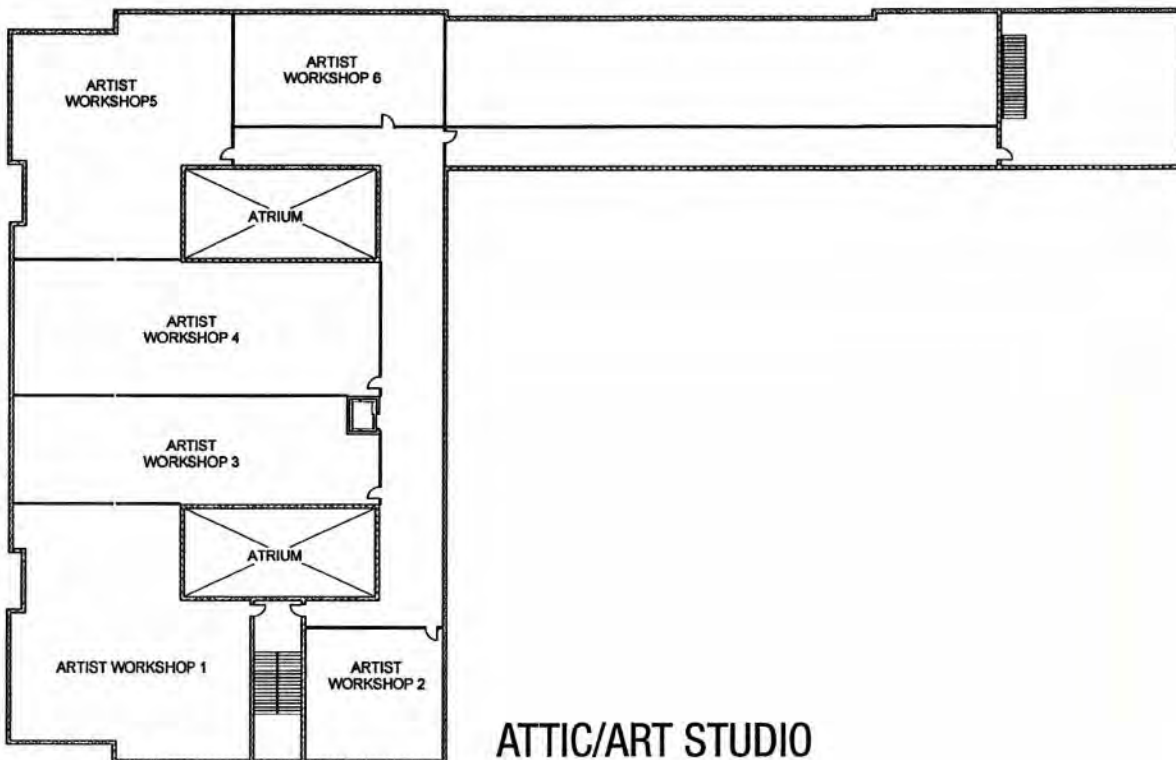


**Unit Legend**  
 ■ 1 BEDROOM  
 ■ 2 BEDROOM  
 ■ STUDIO

**SECOND FLOOR**



### THIRD FLOOR



### ATTIC/ART STUDIO

**4.4.2 DESCRIPTION OF INTENDED  
USE PROPOSED**



**This proposal calls for 100 units of Senior Independent Living for persons 62 and older. Our tenants will have access to the following services and amenities:**

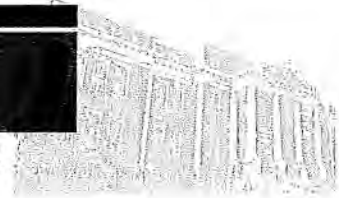
- TRAINED ON-SITE STAFF AND ON-CALL NURSES
- DAILY EXERCISE AND WELLNESS PROGRAMS
- DAILY MEALS AND SNACKS
- LOCAL TRANSPORTATION
- UTILITIES
- LAUNDRY SERVICE
- CABLE AND INTERNET
- FULL TIME ACTIVITIES DIRECTOR
- ALL BUILDING MAINTENANCE, CLEANING & FUTURE IMPROVEMENTS

Many senior citizens live on a fixed income, and through the use of CITC financing, we are able to offer rents that are more affordable than market rate facilities. In an economically diverse area like 37917, this allows many current residents within the neighborhood to stay close and have access to the same quality services as those of higher incomes. Furthermore, we have found that most senior citizens who live in market rate housing would income-qualify for this development.

As referenced in the Community Design Center's recommendations, many transitional, homeless or subsidized housing and support services were specifically excluded as "Do Not Allow" uses both by public input and area availability. This proposed use will exceed the quality of market rate housing throughout the Knoxville community, and our team will ensure via deed restriction that the property be used exclusively for senior citizens and that no other referenced "Do Not Allow" uses be permitted on this site.

# HISTORIC KNOXVILLE HIGH SCHOOL

## 4.4.3 DESCRIPTION OF MATERIALS AND CONSTRUCTION METHODS TO BE USED



As previously mentioned, the original architecture and design elements will be preserved to the greatest extent possible. All materials will adhere to Federal Historic Tax Credit guidelines, and structural and mechanical systems will follow Leadership in Energy and Environmental Design (LEED) certification guidelines. All applicable local zoning, building and design permits will be obtained.

## ° 4.4.4 PROPOSED SCHEDULE AND CALENDAR OF ACTIVITIES

Our calendar will be contingent upon the timing of the County's announcement of RFP award, County Commission approval of the sale and Industrial Development Board approval of the PILOT. If these items can be addressed in a timely manner, our team is prepared to move quickly to commence with environmental remediation and construction.

**FALL 2013: Submit Proposal for Redevelopment to Knox County**

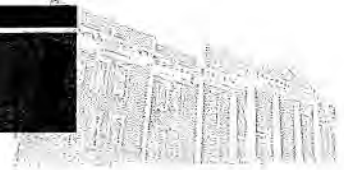
**WINTER 2014: Receive Award Notification and Contract from Knox County Commission**

**SPRING 2014: Obtain PILOT from Knox County Industrial Development Board/Close on Construction Financing/Begin Environmental Remediation & Construction**

**WINTER 2015: Obtain Certificate of Occupancy for KHS Senior Living**



## 4.4.5 SOURCES AND METHODS OF FINANCING FOR CONSTRUCTION AND OPERATION



Construction and permanent mortgage financing is already lined up for this project. Citizens National Bank (CNB) of Sevierville has extended a Letter of Intent to provide a Community Investment Tax Credit Loan to Southeastern Housing Foundation (See appendix). SHF has maintained an excellent relationship with CNB over the past several years and has partnered with them on several acquisition and development projects utilizing a variety of loan products. The Community Investment Tax Credit provides an interest rate of 4 minus prime (currently 0%). In return, SHF will ensure these units are made available to seniors whose incomes fall below 80% of Adjusted Median Income for Knox County, a figure that currently stands at \$34,000 for a single person. Since most seniors live on a fixed income, we believe this income threshold will already qualify many of those residents living in market rate developments throughout the community.

Our research supports this assumption, and we anticipate a strong market and capture rate which will ensure long-term financial stability in operations. In addition to the debt, Southeastern Housing Foundation will defer over \$1 million in fee as equity, and Family Pride Corporation will purchase the Historic Tax Credits to provide the rest of the equity in the partnership. Finally, to fill the operational gap in debt service coverage and loan-to-value, our team will seek a Payment in Lieu of Taxes (PILOT), assuming at least a \$18,000 payment per year over ten years and an increase to over \$180,000 in taxes per year beyond the PILOT period.

DEVELOPMENT PRO FORMA

**SOURCES OF FUNDS**

**AMOUNT**

CITC Loan – Citizens National Bank of Sevierville	\$11,249,680
Owner Equity – SHF	\$1,025,898
Historic Tax Credit Equity – FPC	\$1,517,477
<b>TOTAL SOURCES</b>	<b>\$13,793,055</b>

**USES OF FUNDS**

**AMOUNT**

Site Work	\$116,143
Acquisition – Land	\$500,000
Construction	\$7,986,720
Contingency	\$798,672
Off-Site Improvements (water main)	\$25,000
Environmental Remediation	\$750,000
Construction Bond Fee	\$65,890
Consultant Fees	\$30,000
Security	\$15,000
Architectural/Engineering Fees	\$239,602
Developer Fee	\$552,407
Construction Loan Interest (market rate construction loan)	\$501,586
Real Estate Taxes (\$0 during construction period only)	\$0
Insurance During Construction	\$22,725
Environmental Review	\$5,000
Appraisal & Survey	\$6,500
Title and Recording	\$99,834
Permits and Fees	\$25,250
Legal Fees	\$15,000
Soft Cost Contingency	20,000
Construction Loan Origination Fees	\$159,734
Permanent Loan Origination Fees	\$224,944
PILOT Fees	\$35,000
Organizational	\$6,500
Owner Equity	\$1,025,898
Lease-Up Expense	\$20,200
Operating Reserve	\$545,400
<b>TOTAL USES</b>	<b>\$13,793,055</b>

# OPERATIONS PRO FORMA

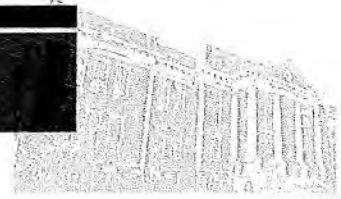
<b>REVENUE</b>	<b>AMOUNT</b>
Rental/Service Income*	\$2,424,000
Vacancy (10%)	\$242,400
<b>TOTAL REVENUE</b>	<b>\$2,181,600</b>
<b>EXPENSES</b>	<b>AMOUNT</b>
Operating Expenses*	\$1,090,800
PILOT Payment** (10 years)	\$18,559
<b>TOTAL EXPENSES</b>	<b>\$1,109,359</b>
<b>NET OPERATING INCOME</b>	<b>\$1,072,241</b>
<b>DEBT SERVICE</b>	<b>\$576,722</b>
<b>CASH FLOW</b>	<b>\$495,519</b>

\*Tenant rent and expenses are all inclusive of meals, transportation, utilities, insurance, laundry, cleaning, maintenance and many other amenities.

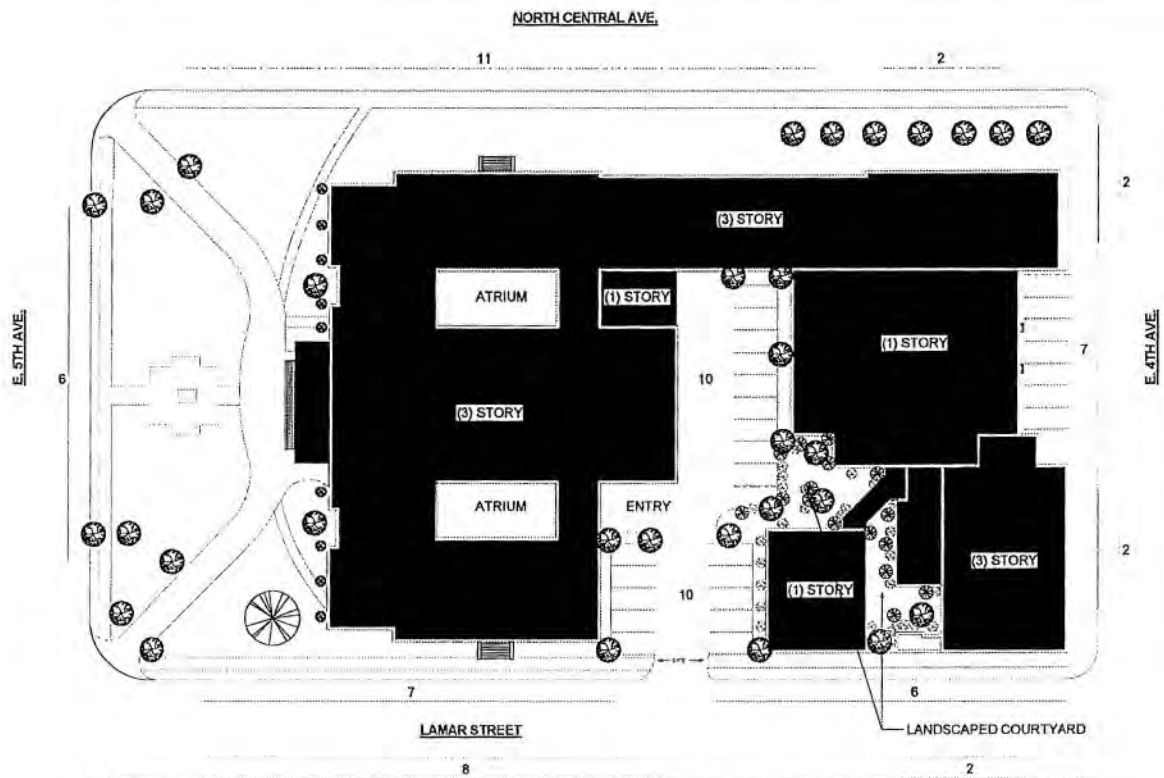
\*\*Assumes PILOT payment of \$18,559 over ten years covering the gap in loan-to-value to obtain financing.

# HISTORIC KNOXVILLE HIGH SCHOOL

## 4.4.6 DETAILED PARKING PLAN



This proposed development will meet the zoning definition of an assisted living facility. Therefore, parking requirements will require a minimum of 30 parking spaces. We will provide all of these on-site, however approximately 40 additional spaces are conveniently located adjacent to the property.



SITE PLAN

# HISTORIC KNOXVILLE HIGH SCHOOL

## 4.5 APPLICABLE BUSINESS EXPERIENCE



Southeastern Housing Foundation (SHF) and Family Pride Corporation (FPC) both have extensive experience and expertise in redeveloping and repurposing historic school buildings that are directly applicable to this proposal for Historic Knoxville High School. For this project, each organization will serve as co-developer. SHF will be the owner and FPC will enter into a master lease agreement with SHF to manage the property. FPC will also hold an equity interest in the property as the purchaser of its Historic Tax Credits.



### DEVELOPER, PROPERTY MANAGER & EQUITY PARTNER

FPC has a history of successful renovation projects including three municipally-owned properties (one school and two hospitals); as well as two other current historic projects in progress (former Oakwood School and Alexander Inn). FPC maintains a track record of long-term ownership, and its business model and profit center is focused on the quality, effectiveness and efficiency of its operations.

### APPLICABLE PROJECTS

**RIVER OAKS PLACE**, Independent & Assisted Living, Lenoir City, Tennessee, 71 Units  
This former 53,000 square foot Lenoir City Middle School building dates back to 1908 (with an addition in the 1950's). FPC purchased the building in 1995 from the City of Lenoir City via a Request for Proposals. The project opened in 1996 with 15 senior independent living apartments. Another 21 units of assisted living were added in 1997, along with 3 workforce housing apartments. A 35,000 square foot addition followed in 2004, which added 32 additional 1BR and 2BR apartments licensed for assisted living.



RIVER OAKS PLACE, LENOIR CITY, TENN.

**RIVER OAKS PLACE**, Assisted Living, Loudon, Tennessee, 40 Units

This facility was a former county hospital from 1939 to 1971 and later used as office space for county government. It was vacant and condemned when FPC purchased the property from county government in 1998. The 30,000 square foot building underwent a complete restoration and opened in 1999 with 32 units. The building was further expanded in 2009, adding eight more rooms, bringing the total assisted living units in operation today to 40.



RIVER OAKS PLACE, LOUDON TENN.

**LAKEWOOD PLACE**, Assisted Living, Loudon, Tennessee, 40 Units

This 55,000 square foot, three-story concrete structure was originally built in 1971 and served as the county hospital until a new hospital was built in 2006. FCP purchased the property from Loudon County government via RFP and began construction two days after the hospital ceased operations. Lakewood Place opened with 34 units of assisted living 14 months later, after a complete renovation and addition were made. There is also professional space on the ground floor.



LAKEWOOD PLACE, LOUDON, TENN.

**OAKWOOD SENIOR LIVING\***, Assisted Living, Knoxville, Tennessee, 62 Units

The former Oakwood Elementary School was purchased from Knox County in the summer of 2012 and is currently under construction. Once completed, the \$6.5 million, 54,300 square foot facility will boast LEED Certification and 62 units of assisted living.  
*\*Expected completion date: Spring 2014*



**OAKWOOD SENIOR LIVING, KNOXVILLE, TENN.**

**ALEXANDER INN\***, Assisted Living, Oak Ridge, Tennessee, 58 Units

The Alexander Inn, once known as "The Guest House," was designed by renowned Chicago architectural firm Skidmore, Owings & Merrill and built in 1942 as part of the top-secret Manhattan Project. In its heyday, the guest list for this elegant, saltbox-style hotel boasted many well-known names, from top industrialists and scientists of the day - including the father of the atomic bomb, Robert Oppenheimer - to President John F. Kennedy and his wife, Jackie. By the time Family Pride acquired the property in May 2013, the Inn had been unoccupied for more than 20 years and was in total disrepair. Now, a \$6 million investment will restore this beloved icon to its former glory, thanks to a partnership with Knox Heritage, a non-profit organization dedicated to preserving historic properties, and a grant from the Department of Energy.

*\*Expected completion date: Summer 2014*



**ALEXANDER INN, OAK RIDGE, TENN.**

**AWARDS & RECOGNITION:**

- Loudon County Preservationist of the Year, 2012
- Nine Counties Preservationist of the Year, 2011
- East Tennessee Historical Society Preservation Award, 2007
- Tennessee Historical Society Certificate of Merit, 2007
- Lenoir City Citizenship Award, 2005
- Knox Heritage Certificate of Appreciation, 2005
- Tennessee Governor's Environmental Stewardship Award, 2003
- Lenoir City Neighborhood Improvement Award, 2003
- Lenoir City Mission Appreciation Award, 1995

**MANAGEMENT TEAM - FAMILY PRIDE:**

**Rick Dover**, General Manager

Rick has been involved in all facets of real estate development, construction, historic preservation, and operations management since graduating from the University of Tennessee in 1977. Mr. Dover joined Family Pride Corporation, his family's business, in 1994. Mr. Dover is responsible for all day to day operations of the company.

**B. Shea Ramsey**, Project Manager

Shea is responsible for construction management, cost control, and property management on all of the company's properties. He is a graduate of the University of Tennessee, and has been employed by the company for two years.



**Southeastern Housing Foundation**  
KNOXVILLE LEADERSHIP FOUNDATION **DEVELOPER & OWNER**

SHF is a supporting organization of Knoxville Leadership Foundation. Knoxville Leadership Foundation (KLF) is a faith-based 501(c)(3). Founded in 1994, KLF has a 19-year history of relationships with local government, non-profits, churches, businesses and others of goodwill in the East Tennessee region. KLF's strength is relationships: bringing people together from all walks of life - urban, suburban and rural - to address needs in our community.

SHF was tapped by the City of Knoxville to convert the former Flenniken Elementary School and Fifth Avenue Motel into supportive housing developments utilizing a variety of financing and redevelopment tools. These projects, while different uses than the one outlined in this proposal, demonstrate SHF's experience and commitment to converting old, vacant and blighted properties into productive developments.

### **APPLICABLE PROJECTS**

**MINVILLA MANOR**, Knoxville, Tennessee, 57 Units

Minvilla Manor is a 36,600 square foot, 57-unit apartment complex that provides permanent supportive housing solutions for disabled, formerly homeless citizens of the Knoxville area. Situated in the downtown historic district, the building was originally built in 1913 to serve as high-end townhouses. As the years passed, the building degenerated into a blighted residential. In 2002, the buildings were condemned for code violates, and the complex became a location of frequent fires, drug activity, and prostitution.

Volunteer Ministry Center (VMC), who was already actively involved in homeless ministry in the area, decided to step in. They approached SHF to act as fee developer of the project, and through a combination of Historic Tax Credits, Low Income Housing Tax Credits, THDA Housing Trust Fund, and strong support from the City of Knoxville and Knox County, SHF was able to complete the \$7.2 million historic renovation on Minvilla Manor in November 2010. The facility is now at full occupancy. Once forgotten and dismissed, the property has become a place of restoration and reconciliation for the residents and the community.



MINVILLA MANOR, KNOXVILLE, TENN.

### **FLENNIKEN LANDING**, Knoxville, Tennessee, 48 Units

Flenniken Landing is the second Permanent Supportive Housing project developed by Southeastern Housing Foundation (SHF). Located in South Knoxville, the 40,000 square foot, 48-unit development builds upon the vision of many community leaders' efforts to alleviate chronic homelessness in the Knoxville area. Originally built in 1919 as an elementary school, Flenniken sat vacant and blighted for over 20 years before SHF put together an intricate \$7.2 million financing package to successfully rehabilitate Flenniken into the LEED for Homes (Gold) property that stands today.

Our partners included the City of Knoxville, Tennessee Housing Development Agency (THDA), Federal Home Loan Bank of Atlanta, Knoxville's Community Development Corporation (KCDC) and many local churches, businesses and concerned citizens. The building opened in November of 2011 and is now at full occupancy.



**FLENNIKEN LANDING, KNOXVILLE, TENN.**

## **AWARDS & RECOGNITION**

- THDA - Tennessee's Best Award for Remarkable achievement (flenniken landing), 2012
- NATIONAL HOUSING & REHABILITATION ASSOCIATION - Timmy Award for Most Innovative Finance, 2012
- KNOX HERITAGE - Fantastic Fifteen Award (Flenniken Landing), 2011
- THDA - 2012 Tennessee's Best Award for Remarkable Achievement (Flenniken Landing), 2011
- TENNESSEE HISTORICAL COMMISSION - Certificate of Merit (Minvilla Manor), 2011
- US DEPT OF HOUSING URBAN DEVELOPMENT (HUD) - HUD Secretary's Award for Excellence in Historic Preservation (Minvilla Manor), 2011
- KNOX HERITAGE - Mayor of Knoxville Award (Minvilla Manor), 2010

## **MANAGEMENT TEAM - SOUTHEASTERN HOUSING FOUNDATION**

### **Christopher L. Martin**, President

Chris is the founder and president of KLF, SHF, and NHI. He has been working in the affordable housing industry for more than 20 years and has developed systems and processes that have leveraged over \$25 million dollars through the work of KLF and it's subsidiaries.

### **Grant Rosenberg**, Vice President of Housing

Grant was previously the Director of Community Development for Knox County. He has extensive experience in housing development, having managed redevelopment activities, grants and entitlement funds for Knox County Government. He now oversees the operations of both SHF and Neighborhood Housing, Inc., KLF's single-family housing development organization. He holds a MBA, has received extensive training in HUD and LIHTC compliance and governance and is a LEED Green Associate.

### **Sandy Behm**, Vice President of Finance and Administration

Sandy joined the KLF team In 2012 after 15 years with Lawler Wood, LLC (LW) as VP and Controller and 20 years as a CPA in public and corporate accounting. She was a part of the financial management of all of the affordable housing work of LWH; specializing in LIHTC accounting and property management.

### **Chris Cowart**, Director of Asset Management & Program Compliance

Chris' background as a lawyer, legal counsel in HUD's regional office in Denver, CO and real estate experience brings extensive expertise with both single-family and multifamily housing initiatives.



# HISTORIC KNOXVILLE HIGH SCHOOL

## 4.6 BUSINESS REFERENCES



The following business references can attest to the capacity,  
experience and expertise of our team:

- 6.1      **JOE PETRE, PRESIDENT, CONVERSION PROPERTIES**
- 6.2      **MARK S. WATSON, CITY MANAGER, CITY OF OAK RIDGE**
- 6.3      **PATRICK PHILLIPS, PRESIDENT, LOUDON COUNTY  
ECONOMIC DEVELOPMENT AGENCY**

Please see Section VI on the following page for detailed contact information.

**SECTION VI BUSINESS REFERENCES**

The following references can confirm the information provided in Proposal

- 6.1 Name: Joe Petre, President, Conversion Properties  
Address: 402 S. Gay Street, Suite 202  
Knoxville, TN 37902  
  
Telephone: (865) 246-1332  
Email: jpetre@conversionprop.com
  
- 6.2 Name: Mark S. Watson, City Manager, City of Oak Ridge, Tennessee  
Address: P.O. Box 1  
Oak Ridge, TN 37831  
  
Telephone: (865) 425-3550  
Email: mwatson@oakridgetn.gov
  
- 6.3 Name: Patrick Phillips, President, Loudon County Economic Development Agency  
Address: 274 Blair Bend Drive  
Loudon, TN 37774  
  
Telephone: (865) 458-8889  
Email: phillips@loudoncountypeda.org

# HISTORIC KNOXVILLE HIGH SCHOOL

## 4.7/4.8 FINANCIAL STATEMENT(S) Statement of Authorization



Family Pride Corporation is a private entity and wishes not to make its financial statements public. Officers of the corporation are willing to sit down with county officials and review financial statements to determine ability and readiness of FPC to complete this project as a partner of Southeastern Housing Foundation. We would ask that any financial information related to Family Pride Corporation not be made a part of the public record.

Please see Section V on the following page for the Southeastern Housing Foundation's financial statement.


**SECTION V FINANCIAL STATEMENT**

**5.1 FINANCIAL STATEMENT OF: Southeastern Housing Foundation II, Inc.**

Submitted in connection with an application for purchase of Historic Knoxville High School.

ASSETS		LIABILITIES	
1. Cash (include savings)	\$ 1,233,815	1. Accounts Payable	\$ 80,519
2. Accounts Receivable	\$ 33,400	2. Notes Payable	\$ 240,000
3. Notes Receivable	\$	3. Mortgage	\$ 3,661,373
4. Equipment Owned:		4. Other	
Cars/Trucks	\$ _____		\$ _____
Other	\$ _____		\$ _____
5. Real Property	\$ 6,206,475		
6. Marketable Investments	\$		
7. Other Major Assets			
Prepaid Expenses	\$ 3,368		
	\$ _____		
8. <u>Deferred loan cost</u>	\$ 66,204		
	\$ _____		
<b>TOTAL ASSESTS</b>	<b>\$ 7,543,262</b>	<b>TOTAL LIABILITIES</b>	<b>\$ 3,981,892</b>
<b>NET WORTH</b>	<b>\$ 3,561,370</b>		

Include any applicable information concerning investors that will be involved in capital development or operation of this project.

Signature:  Date: 8/21/13

Statement of Authorization:  
 The above signed is an authorized representative of Southeastern Housing Foundation II, Inc. and allows Knox County to investigate, if necessary, the applicant's ability to finance, develop, and operate proposed and existing facilities.

# HISTORIC KNOXVILLE HIGH SCHOOL

## 4.9 COST Proposal



This proposal respectfully submits an offer of **\$500,000** for the subject property. We believe this to be a fair market offer given the challenges in converting a building more than 100 years old. As previously mentioned, we will not seek any additional subsidy from Knox County; however we will apply for the Payment In Lieu of Taxes (PILOT) program to enable our Net Operating Income (NOI) to cover debt service and loan to value for this large project.

Based on our assumptions, under a proposed 10-year PILOT term, this project would generate \$18,559 per year in taxes. However, after 10 years the payment would increase to \$183,160 per year. We feel confident this redevelopment proposal not only yields the highest and best use, but it is also the most economically viable for all parties. We thank you for your consideration and look forward to working with Knox County on this exciting venture.

# CITIZENS NATIONAL BANK

Grant Rosenberg  
Vice President of Housing  
Knoxville Leadership Foundation  
901 East Summit Hill Dr., Suite 300  
Knoxville, TN 37915

Re: Financing for Historic Knoxville High School

Dear Grant:

Citizens National Bank of Sevierville is pleased to offer a Community Investment Tax Credit (CITC) loan to Southeastern Housing Foundation for the acquisition and redevelopment of Historic Knoxville High School into Senior Independent Living to be managed by Family Pride Corporation.

The CITC loan term is 15 years and the rate will be 4 points below prime; currently 0%. The amount of the loan will be contingent upon factors such as Federal Historic Tax Credits and the property obtaining a Payment in Lieu of Taxes (PILOT) from local authorities, as well as approval by Citizens National Bank's Board of Directors.

We look forward to partnering with you on this exciting project and wish you luck on your proposal to Knox County.

Please let me know if you need any further information or clarification.

Sincerely,



Wes Farragut  
Vice President  
[wfarragut@cnbtn.com](mailto:wfarragut@cnbtn.com)  
(865)429-7510





P.O. Box 2506  
Knoxville, Tennessee 37901  
Phone: 865-523-7543  
Fax: 865-523-7312

August 14, 2013

Knox County Purchasing Division  
Suite 100  
1000 North Central St.  
Knoxville, TN 37917

Re: Proposal #1778, Sale & Redevelopment of Historic Knoxville High School

To whom it may concern:

I am writing on behalf of the Arts & Culture Alliance of Greater Knoxville, Tennessee, a membership driven organization representing 350 artists and more than 100 arts and culture organizations in greater Knoxville, to express support for the Southeastern Housing Foundation and Family Pride Corporation's proposal to redevelop Historic Knoxville High School.

One of the components of this redevelopment calls for artist studio/classroom space in the loft/attic of the building. This not only presents a great opportunity for arts programming to enhance the quality of life for the residents of this facility, it also provides a valuable partnership opportunity for the local arts community who will be delighted to utilize this space.

The mission of the Arts & Culture Alliance of Greater Knoxville is to serve and support a diverse community of artists, arts organizations, and cultural institutions. As we believe this proposal helps advance that mission; we are anxious to publicly voice our support for your approval.

Sincerely,

Liza Zenni  
Executive Director  
Arts & Culture Alliance of Greater Knoxville, Tennessee

**EXHIBIT C  
REPORT**

Totals as of December 31, 20\_\_

**Project Data:**

PILOT Recipient (Company Name): \_\_\_\_\_

Address of Property Subject to PILOT: \_\_\_\_\_

**Insurance Requirements:**

In accordance with the Lease Agreement, please provide a certificate of insurance showing insurance coverage in the proper amounts and listing The Industrial Development Board of the County of Knox as an additional insured.

**Maintenance and Repair:**

In accordance with the Lease Agreement has the building currently owned by The Industrial Development Board of the County of Knox been properly maintained and repaired?

\_\_\_\_\_ YES \_\_\_\_\_ NO

If the answer is no, please explain. Attach additional sheets if necessary.

**Continuous Operation as Mutli-Family Housing/Assisted Living Facility:**

In accordance with the Lease Agreement, has all of the building currently owned by The Industrial Development Board of the County of Knox been continuously operated during the term of the Lease Agreement as a Multi-Family Housing/Independent Senior Living Facility?

\_\_\_\_\_ YES \_\_\_\_\_ NO

If the answer is no, please explain. Attach additional sheets if necessary.



**THE INDUSTRIAL DEVELOPMENT BOARD OF  
THE COUNTY OF KNOX, TENNESSEE  
PAYMENT-IN-LIEU-OF-TAX (PILOT) PROGRAM**

***PILOT PERFORMANCE REPORT***  
**Totals as of December 31, 20\_\_\_\_**

I certify that the information and attachments provided are true and accurate to the best of my knowledge and belief:

\_\_\_\_\_  
Print name and title of authorized company representative

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Phone

\_\_\_\_\_  
Fax

**Please submit completed and signed materials to:**

The Development Corporation  
Attn: Robin Holt  
17 Market Square, #201  
Knoxville, TN 37902-1405

**For assistance call: 865-546-5887**



# The Industrial Development Board of the County of Knox Fee Structure

Agenda Fee: \$500 (bond related)

TIF Application Fee: \$10,000

PILOT Application Fee:

\$1,000,000 - \$2,500,000: \$2,000

\$2,500,001 - \$5,000,000: \$3,000

\$5,000,001 – and greater: \$4,000

If the PILOT does not close within 60 days, 50% of the Application Fee is forfeited.

Closing Fee: The Closing Fee for a property tax incentive transaction with the Board is 5% of the tax savings, as calculated by the Board or its consultant, with a minimum of \$1,500 and a maximum of \$300,000. The Applicant receiving the property tax incentive will also be responsible for paying any additional expenses related to the transaction (i.e., fees of Board counsel, title attorney fees, title insurance premiums, copies, postage, long distance telephone calls, etc).

Lease Amendments: \$1,000

Assignment of Lease: 1% of the tax savings up to \$1,000,000 with a minimum fee of \$4,000.  
1/2% of such savings over \$1,000,000 with a maximum fee of \$25,000.



**Industrial Development Board (IDB) Fee Structure Comparison**

<u>County</u>	<u>PILOT Application Fee</u>	<u>PILOT Legal Fees</u>	<u>PILOT Closing Fees</u>	<u>Other PILOT Fees</u>	<u>TIF Application Fee</u>	<u>TIF Annual Administrative Fee</u>
Knox	\$2000 for estimated project investments of \$1M to \$2.5M; \$3000 for investments of \$2.5M to \$5M; and \$4000 for investments of \$5M+	Applicant shall pay Board estimated legal costs prior to application consideration and legal fees are held in escrow until closing.	5% of the property tax savings with a minimum of \$1,500 and a maximum of \$300,000 (plus any additional expenses related to the transaction.)		\$10,000	0.25% of maximum tax increment benefit (plus any reasonable fees for any amendments to the TIF and Development and Financing Agreement.)
Anderson	No	Sometimes depending on situation	No	No	No	No
Blount	No	No	No	Grainger County IDB has not charged any fees for a PILOT. There has been only one PILOT in the last 20 years. The Board has not charged any fees. Not much activity in Grainger County.	No	No
Grainger	No	No	No	Grainger County IDB has not charged any fees for a PILOT. There has been only one PILOT in the last 20 years. The Board has not charged any fees. Not much activity in Grainger County.	No	No
Jefferson	\$2000 for estimated project investments of \$1M to \$2.5M; \$3000 for investments of \$2.5 M to \$5 M; \$4000 for investments of \$5M to \$10M; \$8000 for investments of \$10M to \$25M; and \$15,000 for investments of \$25M+	Yes	2% of the property tax savings with a minimum of \$1,500 and a maximum of \$300,000 (plus any out-of-pocket expenses of the Board (such as attorney's fees, copies, postage, long distance telephone, calls, etc.)		\$3,000 (plus the Applicant shall pay all expenses, including attorney's fees, incurred by the Board in connection with the implementation of any proposed tax increment incentive, whether or not such incentive is closed. The Board may require that these expenses be paid in advance of any Board action with respect to a tax increment incentive.)	Administrative Fees equal to the lesser of \$5,000 or 5% of the incremental property tax revenues allocated to the Board, which will be deducted by the Board upon receipt. (Plus the Applicant will pay all expenses, including attorney's fees, incurred by the Board in connection with any Amendments to an economic impact plan or to any documents entered into in connection with a tax increment incentive. The Board may require that these expenses be paid in advance of any Board action.)
Loudon	No formal set policy	No formal set policy	No formal set policy	No formal set policy	No formal set policy	No formal set policy
Roane	\$2000 for estimated project investments of \$1M to \$2.5M; \$3000 for investments of \$2.5M to \$5M; \$4000 for investments of \$5M to \$10M; \$8000 for investments of \$10M to \$25M; and \$15,000 for investments of \$25M+	Yes	5% of the expected tax savings for the Applicant, as estimated by the staff, with a minimum closing fee of \$1,500 and a maximum fee of \$300,000. The Applicant receiving the PILOT incentive will also be responsible for paying expenses of the Board relating to the transaction (i.e. attorney's fees, copies, postage, long distance telephone calls, etc.).	If an Applicant requests an amendment to an existing Lease Agreement, the Applicant will pay a fee of \$1,000 at the time of the request. If the Board approves the assignment of a Lease Agreement, the Applicant shall pay an assignment fee of 1% of the tax savings for the assignee following such assignment, as estimated by the Board, up to \$1,000,000 with a minimum fee of \$4,000 and 1/2% of such savings over \$1,000,000 with a maximum fee of \$25,000. The Applicant shall also be responsible for all expenses, including attorney's fees incurred by the Board, in connection with such assignment.	No formal set policy Roane County IDB currently does not have a formal TIF policy.	No formal set policy Roane County IDB currently does not have a formal TIF policy.
Sevier	\$1,000	Yes	The Applicant receiving the PILOT incentive will be responsible for paying any out-of-pocket expenses of the Board (such as attorney's fees, copies, postage, long distance telephone, calls, etc). Application fees are intended to reimburse the Board for its overhead in connection with implementing the PILOT program and not to reimburse the Board for its out-of-pocket expenses.		Sevier County has never issued a TIF.	We have never done a TIF in Sevier County.

**Industrial Development Board (IDB) Fee Structure Comparison**

<u>County</u>	<u>PILOT Application Fee</u>	<u>PILOT Legal Fees</u>	<u>PILOT Closing Fees</u>	<u>Other PILOT Fees</u>	<u>TIF Application Fee</u>	<u>TIF Annual Administrative Fee</u>
Hamilton	No	No	No	All reasonable expenses incurred by the HCIDB that are attributable to a specific PILOT Agreement are payable by the companies receiving the tax benefits. Currently, the IDB does not charge fees. We may consider charging fees in the future.	The HCIDB has not had a TIF presented for its action following an approval by the County Commission.	The HCIDB has not had a TIF presented for its action following an approval by the County Commission.
Davidson	No	No	No	Currently, the IDB does not charge fees. We may consider charging fees in the future.	No	No
Shelby	\$3,000	No - the PILOT recipient shall not be required to pay for or reimburse EDGE's attorney or consultant fees.	5% of the property tax savings with a minimum of \$1,500 and maximums of \$50,000 (for cap investments \$20 M and below), \$100,000 (for cap investments between \$20 M to \$30 M), and \$300,000 (for cap investments \$30 M+). Recipient must also pay for any additional expenses including recording fees, transfer tax, courier, copies, and postage.	Inner City Fees - 5% of property taxes up to maximum of \$50,000 due to the City of Memphis and 5% of property taxes up to maximum of \$50,000 due to Shelby County. If project is outside the city limits, then only pay the county fee. Currently, the IDB does not charge fees. We may consider charging fees in the future.	\$3,000 (plus the Applicant will pay EDGE's attorney's fees for EDGE Counsel to negotiate the terms of the Economic Impact Plan, negotiate the Development Agreement, and to prepare all notices and attend all meetings held in connection with the Project.)	The Applicant will pay to EDGE an annual administrative fee equal to 3% of the Shelby County Incremental Tax Revenue, which will be deducted from the amount disbursed to the Applicant, lender, or bond trustee. The Shelby County Trustee will be paid an administrative fee of 2% of the Shelby County Incremental Tax Revenues for administering the TIF. If the project is located in the City of Memphis, the Applicant will pay to EDGE an annual administrative fee equal to 4% of the City of Memphis Incremental Tax Revenues, which will be deducted from the amount disbursed to the Applicant, lender, or bond trustee. The City Treasurer will be paid an administrative fee of 1% of the City of Memphis Incremental Tax Revenues for administering the TIF. (Plus any reasonable fees for any amendments to the TIF and Development Agreement.)



