

RESOLUTION NO. 25977

A RESOLUTION TO MAKE CERTAIN FINDINGS RELATING TO THE VISION CHESTNUT HOTEL GROUP, LLC PROJECT, TO DELEGATE CERTAIN AUTHORITY TO THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA, AND TO AUTHORIZE THE MAYOR TO ENTER INTO AND EXECUTE AN AGREEMENT FOR PAYMENTS IN LIEU OF AD VALOREM TAXES.

WHEREAS, pursuant to Tennessee Code Annotated, Section 7-53-305(b) the City of Chattanooga, Tennessee (the "City") is permitted to delegate to The Industrial Development Board of the City of Chattanooga (the "Board") the authority to negotiate and accept payments in lieu of ad valorem taxes from lessees of the Board upon a finding by the City that such payments are deemed to be in furtherance of the Board's public purposes;

WHEREAS, Vision Chestnut Hotel Group, LLC (the "Company") has acquired certain land in the City and has constructed certain real property improvements thereon, and has acquired and installed certain furniture and other personal property on, in or about such real property for use as a hospitality facility, which includes 186 rooms for rent, large meeting rooms, banquet facilities, a restaurant and other amenities (collectively, the "Project");

WHEREAS, because of the substantial economic benefits to the City and to Hamilton County, Tennessee resulting from the Project, the Company has asked the Board and the City to approve payments in lieu of ad valorem taxes; and

WHEREAS, the City has determined that payments in lieu of ad valorem taxes from the Project would be in furtherance of the Board's public purposes as set forth within Chapter 53 of Title 7 of the Tennessee Code Annotated;

NOW, THEREFORE

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF CHATTANOOGA,
That we do hereby find that the Project is in the best interest of the City and that the payments in lieu of ad valorem taxes derived therefrom would be in furtherance of the Board's public purposes.

BE IT FURTHER RESOLVED, That, having made such a finding in this instance, we do hereby delegate to the Board the authority to negotiate and accept payments in lieu of ad valorem taxes from the Company, it being further noted that this delegation is for this purpose and this project only.

BE IT FURTHER RESOLVED, That the Mayor is hereby authorized to enter into an Agreement for Payments In Lieu Of Ad Valorem Taxes in the form attached hereto, with such changes thereto as he shall approve.

ADOPTED: June 30, 2009

**AGREEMENT FOR PAYMENTS IN LIEU
OF AD VALOREM TAXES**

THIS AGREEMENT FOR PAYMENTS IN LIEU OF AD VALOREM TAXES (this "Agreement") is made and entered into as of this the ___ day of _____, 2009, by and among THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA (the "Board"); VISION CHESTNUT HOTEL GROUP, LLC, a Tennessee limited liability company (the "Company"); the CITY OF CHATTANOOGA, TENNESSEE (the "City"); and HAMILTON COUNTY, TENNESSEE (the "County") and is joined in, for purposes of evidencing their acceptance of the agency relationship established herein, by CARL E. LEVI and his successors, acting in the capacity of HAMILTON COUNTY TRUSTEE ("Trustee"), and by WILLIAM C. BENNETT and his successors, acting in the capacity of HAMILTON COUNTY ASSESSOR OF PROPERTY ("Assessor").

WITNESSETH:

WHEREAS, the Company has substantially renovated and developed a hospitality facility and has acquired and installed certain furniture, equipment and other personal property on, in, or about certain real property located in Chattanooga, Hamilton County, Tennessee (the "Project"), resulting in a real property investment of approximately \$15,000,000, a personal property investment of approximately \$5,000,000, and an increase of 51 full-time jobs over a three (3) year period ending December 31, 2010, with such jobs having an average annual wage (excluding benefits) equal to \$30,000 (collectively the "PILOT Projections"), and, accordingly, has requested the Board's assistance with the financing of the Project; and

WHEREAS, substantial economic benefits to the City and County economies will be derived from the Project; and

WHEREAS, the Board has previously agreed to take title to certain real and personal property, including portions of the Project, pursuant to that certain Interim Agreement between the Board and the Company dated December 19, 2008, as amended; and

WHEREAS, the Board has agreed to retain title to the real property, which includes a hotel and other real property improvements in such condition that existed before January 1, 2008, and as further described in Exhibit "A" attached hereto (the "Existing Real Property") and has agreed to take title to all real property improvements constructed, installed, or performed on the Existing Real Property by or on behalf of the Company on or after January 1, 2008 (the "Real Property Improvements") (the "Existing Real Property" and the "Real Property Improvements" may be collectively referred to herein as the "Real Property"), and has agreed to retain title to certain furniture, equipment, and other tangible personal property and has agreed to take title to certain furniture, equipment and other tangible personal property constituting a part of the Project together with all additions thereto, replacements thereof, and substitutions thereof, all as described in Exhibit "B" attached hereto (collectively, the "Personal Property") (the "Real Property" and the "Personal Property" may be collectively referred to herein as the "Property"), which Property is to be owned by the Board and leased to the Company pursuant to a Lease Agreement of even date herewith (the "Lease"); and

WHEREAS, because the Property will be owned by the Board, which is a public corporation organized under the provisions of Tennessee Code Annotated, § 7-53-101, *et seq.*, the Property will be exempt from all ad valorem property taxes ("property taxes") normally paid to the City and to the County, so long as the Property is owned by the Board, pursuant to the provisions of Tennessee Code Annotated § 7-53-305; and

WHEREAS, for the public benefit of the citizens of the City and the County, the Board has requested that the Company make certain payments to the Board in lieu of the payment of property taxes that would otherwise be payable on the Property; and

WHEREAS, the Company has agreed to make such payments to the Board in lieu of the property taxes otherwise payable on the Property (the "In Lieu Payments"), as more particularly set forth hereinafter; and

WHEREAS, the Board has been authorized to receive the In Lieu Payments in lieu of property taxes by resolutions adopted by the City and the County, acting through their duly elected Council and Commission, respectively, which resolutions delegate to the Board the authority to accept the In Lieu Payments upon compliance with certain terms and conditions, including, without limitation, the requirement that the Board collect and expend such payments in furtherance of the public purposes for which the Board was created; and

WHEREAS, the Company and the Board have agreed that all In Lieu Payments made to the Board by the Company shall be paid to the Trustee, who shall disburse such amounts to the general funds of the City and the County in accordance with the requirements specified herein; and

WHEREAS, the Board wishes to designate the Assessor as its agent to appraise the Property and to assess a percentage of its value in the manner specified herein; and

WHEREAS, the Board wishes to designate the Trustee as its agent to receive the In Lieu Payments in accordance with the terms of this Agreement;

NOW, THEREFORE, IN CONSIDERATION OF the mutual covenants and agreements set forth herein, the parties hereto agree as follows:

1. Designation of Assessor; Appraisal and Assessment of Property. The Board hereby designates the Assessor as its agent to appraise and assess the Property. The Assessor shall appraise and assess the Property in accordance with the Constitution and laws of the State of Tennessee as though the Property were subject to property taxes. The Assessor shall give the Trustee, the City Treasurer, the Board, and the Company written notice of any changes in appraisals of the Property in the same manner that notices are given to owners of taxable property. The Assessor shall make available to the Board and the Company all records relating to the appraisal and assessment of the Property.

2. Designation of Trustee: Computation and Billing of Payments In Lieu of Taxes. The Board hereby designates the Trustee as its agent to compute the amounts of the In Lieu Payments, to receive such payments from the Company and to disburse such payments to the City and the County. On or about October 1 of each year during the term of this Agreement, the Trustee shall compute the taxes which would be payable on the Property as if it were subject to property taxes, in accordance with the Constitution and laws of the State of Tennessee and in accordance with the appraisal and assessment of the Assessor. Each year hereunder, the Trustee shall send the Board and the Company a bill for the appropriate amount of In Lieu Payments (the "Tax Bill").

3. Payments in Lieu of Taxes. After receipt of the Tax Bill, the Company shall pay to the Trustee the amount indicated on the Tax Bill in accordance with the amounts set forth below in Paragraph 4. The In Lieu Payments shall be made by the Company in lieu of the property taxes which would otherwise be payable on the Property if it were subject to property taxes.

4. Amount of Payments by the Company. For any period hereunder occurring before January 1, 2009 or after December 31, 2013, and during which the Property is owned by the Board, the Company shall make In Lieu Payments in an amount, as determined by the Assessor and the Trustee, equal to one hundred percent (100%) of the amount of taxes that would have been payable on the Property as if it were subject to property taxes. For each of the years 2009 through 2013, the Company shall make In Lieu Payments in an amount, as determined by the Assessor and the Trustee, equal to the following percentages of the taxes that would have been payable on the Existing Real Property, the Real Property Improvements and the Personal Property, as applicable, as if such property were subject to property taxes for the respective years shown:

<u>Years</u>	<u>Existing Real Property Percentages</u>	<u>Real Property Improvements Percentages</u>	<u>Personal Property Percentages</u>
2009	100%	29.2%	29.2%
2010	100%	46.9%	46.9%
2011	100%	57.5%	57.5%
2012	100%	64.6%	64.6%
2013	100%	64.6%	64.6%

The parties acknowledge that the amount of real property taxes to support County schools currently represents twenty-nine and two-tenths percent (29.2%) (the "School Tax Portion") of the total amount of the property taxes that would have been payable on the Project if the Property were subject to property taxes. Accordingly, the School Tax Portion of the In Lieu Payments for years 2009 through 2013 shall be directed by the Trustee to support the County school system.

5. Penalties and Late Charges. The Company shall make the In Lieu Payments for each year before March 1 of the following year. Except as otherwise provided in Paragraph 19, all In Lieu Payments shall be subject to penalties, late charges, fees and interest charges as follows:

(a) If the Company fails to make any In Lieu Payment before it becomes delinquent, and such failure to pay shall continue and not be fully paid within thirty (30) days after written notice of such nonpayment has been provided, then a late charge shall be charged and shall also be immediately due and payable. The late charge shall be in the amount of one and one-half percent (1.5%) of the owed amount, for each month that each payment has been unpaid. Such one and one-half percent (1.5%) per month late charge amount shall accumulate each month and be payable so long as there remains any outstanding unpaid amount.

(b) If the Company should fail to pay all amounts and late charges due as provided hereinabove, then the Board, the City or the County may bring suit in the Chancery

Court of Hamilton County to seek to recover the In Lieu Payments due, late charges, expenses and costs of collection in addition to reasonable attorneys' fees.

6. PILOT Projections Reporting.

(a) In order to determine the extent to which the Company achieves the PILOT Projections upon which the In Lieu Payments have been calculated, the Company shall complete and deliver to the City and County for each calendar year during the term of this Agreement, on a form reasonably acceptable to the City and the County, documentation of the PILOT Projections.

(b) If the Company fails to achieve the PILOT Projections, then the City and the County reserve the right to terminate the benefits of this Agreement for any years remaining hereunder.

(c) If the Company closes the Project or moves the Project from the City during the term hereof, the City and/or the County reserve the right to require the partial repayment of amounts that would have been payable on the Property if it were subject to property taxes.

7. Disbursements by Trustee. Subject to Paragraph 4 hereof whereby the School Tax Portion of the In Lieu Payments shall be directed to support the County school system, all sums received by the Trustee pursuant to Paragraph 3 hereof shall be disbursed to the general funds of the City and the County in accordance with this paragraph and in accordance with the normal requirements of law governing the settlement and paying over of taxes to counties and municipalities. All sums received shall be divided into two (2) accounts, one for the use and benefit of the City and the other for the use and benefit of the County. The account for the use and benefit of the City shall be funded with the proportionate amount to which the In Lieu Payments are attributable to property taxes which would otherwise be owed to the City, and the account for the use and benefit of the County shall be funded with the proportionate amount

to which the In Lieu Payments are attributable to property taxes which would otherwise be owed to the County. All disbursements to the general funds of the City and County shall be made by the Trustee subject to the requirement that all funds disbursed may be used by the City and the County only in furtherance of the public purposes of the Board, as described in Tennessee Code Annotated § 7-53-102.

8. Contest by the Company. The Company shall have the right to contest the appraisal or assessment of the Property by the Assessor and the computation by the Trustee of the amount of the In Lieu Payments. If the Company contests any such appraisal or assessment, then it shall present evidence to the Assessor in favor of its position. Likewise, if the Company contests any such payment computation, it shall present evidence to the Trustee in favor of its position. If the In Lieu Payments being contested shall be or become due and payable, the Company shall make such payments under protest. The Company and the Assessor or the Trustee, as the case may be, shall negotiate in good faith to resolve any disputes as to appraisal, assessment or computation. If the Company and the Assessor or the Trustee are unable to resolve a dispute, then the Company may file suit in the Chancery Court of Hamilton County to ask that the provisions of this Agreement, including those covering appraisal, assessment and computation, be construed or applied to the relevant facts by the Chancery Court in order to resolve such dispute.

9. Lien on Property. Any amounts which remain payable under this Agreement shall become a lien on the Property, and such lien shall be enforceable against the Property in the event that any payment owing hereunder is not timely made in accordance with this Agreement.

10. Term. This Agreement shall become effective on the date that the Board attains title to the Property and shall continue for so long as the Board holds title to any of the Property or the Company has made all payments required hereunder, whichever shall later occur.

11. Leasehold Taxation. If the leasehold interest of the Company should be subject to ad valorem taxation, then any amounts assessed as taxes thereon shall be credited

against any In Lieu Payments due hereunder. The Company agrees to cooperate fully with the Assessor in supplying information for completion of leasehold taxation questionnaires with respect to the Property.

12. Stormwater Fees. The Company shall be responsible for all stormwater fees assessed by the City of Chattanooga against the Real Property.

13. Notices, etc. All notices and other communications provided for hereunder shall be written, and mailed via registered or certified mail or delivered via overnight express carrier, to the following addresses:

If to the City: Mr. Michael A. McMahan
City Attorney
Suite 400, Pioneer Bank Building
801 Broad Street
Chattanooga, Tennessee 37402

If to the County: Mr. Rheubin M. Taylor
County Attorney
Room 204
County Courthouse
Chattanooga, Tennessee 37402

If to the Board Mr. Michael A. McMahan
Suite 400, Pioneer Bank Building
801 Broad Street
Chattanooga, Tennessee 37402

If to the Company: Vision Chestnut Hotel Group, LLC
2034 Hamilton Place Blvd., Suite 200
Chattanooga, Tennessee 37421
Attention: Mark Mourier

With a Copy to: Brian L. Eftink, Esq.
Miller & Martin PLLC
Suite 1000, Volunteer Building
832 Georgia Avenue
Chattanooga, Tennessee 37402-2289

If to the Trustee: Trustee
Hamilton County Courthouse
Chattanooga, Tennessee 37402

If to the Assessor:

Assessor
Hamilton County Courthouse
Chattanooga, Tennessee 37402

or, as to each party, at such other address as shall be designated by such party in a written notice to the other parties. All such notices and communications shall be deemed delivered as follows:

(i) when mailed via overnight courier service, one business day after mailing, and (ii) when depositing in the United States mail by registered or certified mail, postage prepaid, return receipt requested, three days after deposit.

14. No Waiver; Remedies. No failure on the part of any party hereto, and no delay in exercising any right under this Agreement shall operate as a waiver thereof; nor shall any single or partial exercise of any right under this Agreement preclude any other or further exercise thereof or the exercise of any other right. The remedies provided in this Agreement are cumulative and are not exclusive of any remedies provided by law.

15. Severability. In the event that any clause or provision of this Agreement shall be held to be invalid by any court or jurisdiction, the invalidity of any such clause or provision shall not affect any of the remaining provisions of this Agreement.

16. No Liability of Board's Officers. No recourse under or upon any obligation, covenant or agreement contained in this Agreement shall be had against any incorporator, member, director or officer, as such, of the Board, whether past, present or future, either directly or through the Board. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such incorporator, member, director or officer, as such, is hereby expressly waived and released as a condition of and consideration for the execution of this Agreement.

17. Binding Effect. This Agreement shall be binding upon and inure to the benefit of each of the parties and signatories hereto and to their respective successors and assigns.

18. Governing Law. The Agreement shall be governed by, and construed in accordance with, the laws of the State of Tennessee.

19. Amendments. This Agreement may be amended only in writing, signed by each of the parties hereto, except that the Trustee and the Assessor shall not be required to join in amendments unless such amendments affect their respective duties hereunder.

20. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[SIGNATURES TO FOLLOW ON NEXT PAGE]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and date first above written.

ATTEST:

**THE INDUSTRIAL DEVELOPMENT BOARD
OF THE CITY OF CHATTANOOGA**

By: _____
Secretary

By: _____
Chairman

VISION CHESTNUT HOTEL GROUP, LLC

By: _____

Print Name: _____

Title: _____

CITY OF CHATTANOOGA, TENNESSEE

By: _____
Mayor

HAMILTON COUNTY, TENNESSEE

By: _____
County Mayor

CARL E. LEVI

By: _____
Hamilton County Trustee

WILLIAM C. BENNETT

By: _____
Hamilton County Assessor of Property

EXHIBIT A

EXISTING REAL PROPERTY

SITUATED IN THE STATE OF TENNESSEE, COUNTY OF HAMILTON, AND BEING DESCRIBED AS FOLLOWS:

TRACT I:

IN THE CITY OF CHATTANOOGA, HAMILTON COUNTY, TENNESSEE:

GOLDEN GATEWAY URBAN RENEWAL PROJECT, TENN. R-10, LAND DISPOSITION PARCEL E-7C, AND MORE PARTICULARLY DESCRIBED AS FOLLOWS: BEGINNING AT A POINT IN THE WEST LINE OF CHESTNUT STREET, SAID POINT BEING LOCATED ON A LINE SOUTH 1 DEGREE 55 MINUTES EAST, A DISTANCE OF 235.01 FEET SOUTH FROM THE POINT OF INTERSECTION OF THE WEST LINE OF CHESTNUT STREET, IF EXTENDED, AND THE SOUTH LINE OF WEST FOURTH STREET, IF EXTENDED, SAID POINT OF INTERSECTION BEING N 241,000.23, E 2,205,964.25; SAID POINT OF BEGINNING BEING N 240,765.32, E 2,205,972.11; THENCE SOUTH 1 DEGREE 55 MINUTES EAST ALONG THE WEST LINE OF CHESTNUT STREET, A DISTANCE OF 165.6 FEET TO A POINT IN THE WEST LINE OF CHESTNUT STREET, SAID POINT BEING N 240,599.72, E 2,205,977.66; THENCE SOUTH 87 DEGREES 57 MINUTES WEST, A DISTANCE OF 252.33 FEET TO A POINT, SAID POINT BEING N 240,588.91, E 2,205,724.48; THENCE IN A NORTHWARDLY DIRECTION ALONG A 25-FOOT RADIUS CURVE TO THE RIGHT, A DISTANCE OF 39.27 FEET TO A POINT, SAID POINT BEING N 240,614.81, E 2,205,699.61; THENCE NORTH 2 DEGREES 03 MINUTES WEST, A DISTANCE OF 81.00 FEET TO A POINT; SAID POINT BEING N 240,695.78, E 2,205,696.71; THENCE IN A NORTHWARDLY DIRECTION ALONG A 55-FOOT RADIUS CURVE TO THE RIGHT, A DISTANCE OF 43.18 FEET TO A POINT, SAID POINT BEING N 240,735.22, E 2,205,711.41; THENCE NORTH 42 DEGREES 57 MINUTES EAST, A DISTANCE OF 29.29 FEET TO A POINT, SAID POINT BEING N 240,756.67, E 2,205,731.37; THENCE NORTH 87 DEGREES 57 MINUTES EAST, A DISTANCE OF 240.90 FEET TO A POINT IN THE WEST LINE OF CHESTNUT STREET, SAID POINT BEING THE POINT OF BEGINNING AS SHOWN BY PLAT OF SURVEY BY HENSLEY-SCHMIDT, INC., ON DRAWING NO. 335-D-73.2. POSITIONS OF CORNERS AND DIRECTIONS OF LINES REFER TO THE TENNESSEE COORDINATE SYSTEM.

TRACT II:

LAND IN THE CITY OF CHATTANOOGA, HAMILTON COUNTY, TENNESSEE, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT IN THE WEST LINE OF CHESTNUT STREET, SAID POINT BEING LOCATED ON A LINE SOUTH, 01 DEGREE, 55 MINUTES EAST, A DISTANCE OF 599.65 FEET SOUTH FROM THE POINT OF INTERSECTION OF THE WEST LINE OF CHESTNUT STREET, IF EXTENDED, AND THE SOUTH LINE OF WEST FOURTH

STREET, IF EXTENDED, SAID POINT OF INTERSECTION BEING NORTH 241,000.23, EAST 2,205,964.25; THENCE FROM THE POINT OF BEGINNING SOUTH, 87 DEGREES, 57 MINUTES WEST, A DISTANCE OF THREE HUNDRED NINETEEN AND 87/100 (319.87) FEET TO A POINT; THENCE NORTH, 02 DEGREES, 03 MINUTES WEST, A DISTANCE OF ONE HUNDRED SEVENTY-EIGHT AND 00/100 (178.00) FEET TO A POINT; THENCE NORTH, 87 DEGREES, 57 MINUTES EAST, A DISTANCE OF THREE HUNDRED TWENTY AND 28/100 (320.28) FEET TO A POINT IN THE WEST LINE OF CHESTNUT STREET; THENCE SOUTH, 01 DEGREE, 55 MINUTES EAST, WITH THE WEST LINE OF CHESTNUT STREET, A DISTANCE OF ONE HUNDRED SEVENTY-EIGHT AND 00/100 (178.00) FEET TO THE POINT OF BEGINNING AS SHOWN BY THAT PLAT OF SURVEY PREPARED BY HENSLEY-SCHMIDT, INC., ON DRAWING NO. 337D-85. ACCORDING TO H-S DRAWING, POSITIONS OF CORNERS AND DIRECTIONS OF LINES REFER TO THE TENNESSEE COORDINATE SYSTEM.

BEING THE SAME PROPERTY CONVEYED TO VISION CHESTNUT HOTEL GROUP, LLC, A TENNESSEE LIMITED LIABILITY COMPANY BY WARRANTY DEED FROM CHESTNUT STREET PROPERTIES I, LP, A TENNESSEE LIMITED PARTNERSHIP OF RECORD IN BOOK 7907, PAGE 149, REGISTER'S OFFICE FOR HAMILTON COUNTY, TENNESSEE.

TOGETHER WITH NON-EXCLUSIVE EASEMENT FOR PURPOSES OF INGRESS AND EGRESS AS GRANTED AND CONVEYED BY INSTRUMENT EXECUTED BY FRANKLIN L. HANEY; JOINED BY HIS WIFE, EMELINE W. HANEY, TO CHATTANOOGA ATLANTIC HOTELS COMPANY, INCORPORATED, BY INSTRUMENT DATED JULY 29, 1976, RECORDED IN BOOK 2337, PAGE 918, IN THE REGISTER'S OFFICE OF HAMILTON COUNTY, TENNESSEE.

EXHIBIT B

PERSONAL PROPERTY

All furniture, equipment and other tangible personal property of Company or provided by Company that is located on or about the real property described in Exhibit A above, (together with all additions thereto, replacements thereof, and substitutions therefor) in connection with the renovation and development of a full service hotel located on such real property.

This Instrument Prepared By:
Miller & Martin PLLC (BLE)
Suite 1000 Volunteer Building
832 Georgia Avenue
Chattanooga, TN 37402

LEASE AGREEMENT

THIS LEASE AGREEMENT, made and entered as of _____, 2009, by and between **THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA**, a public corporation duly created and existing under the laws of the State of Tennessee (the "Board"), and **VISION CHESTNUT HOTEL GROUP, LLC**, a Tennessee limited liability company (the "Company").

WITNESSETH:

In consideration of the respective covenants and agreements hereinafter contained, the Board and the Companies agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. The following terms when used in this Agreement, unless the context shall clearly indicate another or different meaning or intent, shall be construed as follows:

"Act" means the Tennessee Industrial Development Corporations Act of 1955, Chapter 210 of the Public Acts of 1955, as codified in Tennessee Code Annotated Sections 7-53-101 et seq., as heretofore amended and as hereafter amended from time to time.

"Act of Bankruptcy" means the filing of a petition in bankruptcy (or other commencement of a bankruptcy or similar proceeding) by or against the Company or the Board under any applicable bankruptcy, insolvency or similar law as now or hereafter in effect.

"Agreement" means this Lease Agreement as it now exists and as it may hereafter be amended.

"Board" means The Industrial Development Board of the City of Chattanooga, a public corporation duly created and existing under the Act, and its successors and assigns.

"City" means the City of Chattanooga, Tennessee.

"County" means Hamilton County, Tennessee.

The terms "default" and "event of default" mean any occurrence or event specified in Section 10.01 hereof.

“Existing Real Property” means the real property, including a hotel and other real property improvements in such condition that existed prior to January 1, 2008, described in **Exhibit “A”** attached hereto, together with additions thereto, replacements thereof and substitutions therefor.

“Interim Agreement” means that certain agreement between the Board and the Company dated December 19, 2008 whereby the Board agreed to take title to certain real and personal property from the Company, including portions of the Project.

The term “pending” with respect to any proceedings commenced by an Act of Bankruptcy means that such proceedings have not been dismissed, or are subject to further appeal.

“Personal Property” means all items of furniture, equipment and other tangible personal property described in **Exhibit “A”** attached hereto, together with additions thereto, replacements thereof and substitutions therefor.

“PILOT Agreement” means the Agreement for Payments in Lieu of Ad Valorem Taxes entered into of even date herewith by and among the Board, the Company, the City, and the County.

“Project” means the substantial renovation and development of a building and the acquisition of certain furniture, equipment and other personal property for use as a hospitality facility, which includes 186 rooms for rent, large meeting rooms, banquet facilities, a restaurant and other amenities.

“Property” means the Real Property and Personal Property.

“Real Property” means the Existing Real Property and the Real Property Improvements.

“Real Property Improvements” means all real property improvements constructed, installed, or performed on the Existing Real Property by or on behalf of the Company on or after January 1, 2008.

ARTICLE II

CERTIFICATIONS

Section 2.01. Certifications by Board. The Board makes the following certifications as the basis for the undertakings on its part herein contained:

(a) The Board is a public corporation of the State of Tennessee, duly organized and existing under the provisions of the Act. The Act authorizes the Board to acquire land, buildings, machinery and equipment and related facilities and to own, lease and dispose of the same for the purpose of maintaining and increasing employment opportunities by promoting industry, trade and commerce and by inducing manufacturing, industrial and commercial

enterprises to locate in or remain in the State of Tennessee. The Board is authorized to act in furtherance of such purposes in the State of Tennessee.

(b) The Board has found and does hereby declare that the renovation, development and equipping of the Project and the leasing of the same to the Company will increase employment in the City, and will be in furtherance of the public purposes for which the Board was created.

(c) The Board has been induced to enter into this undertaking by the Company's completed renovation and operation of a full-service hotel in the City in the State of Tennessee.

(d) There are no actions, suits, proceedings, inquiries or investigations pending, or to the knowledge of the Board threatened, against or affecting the Board in any court or before any governmental authority or arbitration board or tribunal, which involve the possibility of materially and adversely affecting the transactions contemplated by this Agreement or which, in any way, would materially and adversely affect the validity or enforceability of this Agreement or any agreement or instrument to which the Board is a party and which is used or contemplated for use in the consummation of the transactions contemplated hereby or thereby.

Section 2.02. Certifications by Company. The Company makes the following certifications as the basis for the undertakings on its part herein contained:

(a) The Company is a limited liability company duly formed under the laws of the State of Tennessee, in good standing under its formation documents, with full power and authority to enter into this Agreement and to perform all obligations contained herein and therein, and has, by proper company action, been duly authorized to execute and deliver this Agreement and, when executed and delivered by the parties thereto, this Agreement will constitute the valid and binding obligation of the Company enforceable in accordance with its terms.

(b) The agreement of the Board to own the Project and lease it to the Company induced the Company to locate the Project in the City, which will increase employment in the City.

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

(d) There are no proceedings pending, or to the knowledge of the Company threatened, against or affecting the Company in any court or before any governmental authority, arbitration board or tribunal which materially and adversely affect the properties,

business, prospects, profits or financial condition of the Company, or the ability of the Company to perform its obligations under this Agreement. The Company is not in default with respect to an order of any court, governmental authority, arbitration board or tribunal.

(e) No event has occurred and no condition exists with respect to the Company that would constitute an "event of default" under this Agreement, or which, with the lapse of time or with the giving of notice, or both, would become such an "event of default."

ARTICLE III

LEASING CLAUSES: WARRANTY OF TITLE

Section 3.01. Lease of Property. The Board hereby leases to the Company, and the Company hereby leases from the Board, the Property, for the consideration set forth in Section 5.03 hereof and in accordance with the provisions of this Agreement.

Section 3.02. Title. Pursuant to the Interim Agreement, the Board will retain good and marketable title to the Existing Real Property and the Personal Property in such condition that existed prior to January 1, 2008, and will take good and marketable title to the Real Property Improvements and the Personal Property in such condition that existed on or after January 1, 2008, free from all encumbrances other than those of record.

Section 3.03. Quiet Enjoyment. The Board covenants and agrees that it will warrant and defend the Company in the quiet enjoyment and peaceable possession of the Property, free from all claims of all persons, throughout the Lease Term, so long as the Company shall perform the covenants, conditions and agreements to be performed by it hereunder, or so long as the period for remedying any default in such performance shall not have expired. If the Board shall at any time be called upon to defend the title to said property as aforesaid, it shall not be required to incur any costs or expenses in connection therewith unless indemnified to its satisfaction against all such costs and expenses.

ARTICLE IV

ACQUISITION, CONSTRUCTION AND INSTALLATION OF PROJECT

Section 4.01. Agreement to Acquire, Renovate and Install Property. The Company acknowledges that:

(a) Pursuant to the Interim Agreement, it has caused title in and to the Existing Real Property and the Personal Property in such condition that existed prior to January 1, 2008 to be vested in the Board.

(b) It will cause title in and to the Real Property Improvements and the Personal Property in such condition that existed on or after January 1, 2008 to be vested in the Board.

(c) It will renovate, develop and install, or has renovated, developed and installed, the Property in the name of and on behalf of the Board.

(d) It has completed the renovation, development and equipping of the Property.

ARTICLE V

EFFECTIVE DATE; DURATION OF LEASE TERM; CONSIDERATION

Section 5.01. Effective Date of this Agreement; Duration of Lease Term. This Agreement shall become effective upon its delivery, and the leasehold estate created hereunder shall then begin, and, subject to the other provisions of this Agreement, shall expire at midnight, December 31, 2013.

Section 5.02. Delivery and Acceptance of Possession. The Board has delivered to the Company sole and exclusive possession of the Property, and the Company agrees to retain possession of the Property.

Section 5.03. Consideration for Lease. In consideration of the lease granted hereunder the Company agrees to:

(a) Operate the Project for its own benefit and for the benefit of the citizens of the County and the City;

(b) Make the payments required under the PILOT Agreement;

ARTICLE VI

MAINTENANCE; MODIFICATION; TAXES AND INSURANCE

Section 6.01. Maintenance and Modification of Project by Company. The Company agrees that throughout the term of this Agreement the Company will, at its own expense, keep the Project (i) in as reasonably safe condition as its operations shall permit, and (ii) in good repair and in good operating condition, normal wear and tear and obsolescence excepted, making from time to time all necessary repairs thereto and renewals and replacements thereof.

Section 6.02. Removal of Machinery and Equipment Included in Project. The Board shall not be under any obligation to renew, repair or replace any inadequate, obsolete, worn-out, unsuitable, undesirable or unnecessary furniture or equipment constituting a part of the Project. In any instance where the Company in its sole discretion determines that any items of such furniture or equipment have become inadequate, obsolete, worn-out, unsuitable, undesirable or unnecessary, the Company may remove such items of furniture or equipment and (on behalf of the Board) sell, trade-in, exchange or otherwise dispose of them (as a whole or in part) without any responsibility or accountability to the Board therefor.

Section 6.03. Taxes, Other Governmental Charges and Utility Charges. The Board and the Company acknowledge that under present law the Project will be exempt from ad valorem property taxation in the State of Tennessee. The Company will pay, as the same shall become lawfully due and payable, (i) all taxes and governmental charges of any kind whatsoever

upon or with respect to the Project and (ii) all other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Project.

The Company may, at its own expense and in its own name, in good faith contest any such taxes, assessments or other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom. The Board will cooperate fully with the Company in any such contest.

Section 6.04. Maintenance of Insurance. Throughout the term of this Agreement, the Company shall keep the Project continuously insured against such risks as are customarily insured against with respect to property similar to the Project by businesses of like size and type, paying as the same become due all premiums in respect thereto.

Section 6.05. Indemnification of Board. The Company shall and hereby agrees to indemnify and save the Board and its officers, directors, agents, servants and employees harmless from and against all claims by or on behalf of any person, firm or corporation arising from the conduct or management of, or from any work or thing done on, the Project during the term of this Agreement, and against and from all claims arising during the term of this Agreement, from

- (a) any condition of the Project caused by the Company;
- (b) any breach or default on the part of the Company in the performance of any of its obligations under this Agreement;
- (c) any act of gross negligence of the Company or of any agents, contractors, servants, employees or licensees of the Company or of any assignee or sublessee of the Company.

The Company shall indemnify and save the Board and its officers, directors, agents, servants and employees harmless from and against all reasonable costs and expenses incurred in or in connection with any action or proceeding brought thereon (unless such action or proceeding is a result of the gross negligence or willful misconduct of the Board), and, upon notice from the Board, the Company shall defend the Board and any such officer, director, agent, servant or employee or any of them in any such action or proceeding.

Section 6.06. Board Expenses. In addition to other payments required to be made by the Company hereunder, the Company shall pay any reasonable expenses not specifically mentioned herein which are incurred by the Board in connection with the Project or this Agreement.

Section 6.07. Depreciation and Investment Credit. The Board covenants and agrees that depreciation expenses and investment tax credit, if any, with respect to the Project shall be made available to the Company, and the Board will fully cooperate with the Company in any effort by the Company to avail itself of any such depreciation expenses or investment tax credit, but the Board shall have no responsibility or liability for failure of the Company to receive any such expenses or credits.

ARTICLE VII

DAMAGE, DESTRUCTION AND CONDEMNATION

Section 7.01. Damage and Destruction. If during the term hereof the Project is damaged by fire or other casualty, the Board shall cause the proceeds received by it from insurance to be paid to the Company for application in one or both of the following ways, as shall be determined by the Company:

- (a) Repair, rebuilding or restoration of the property damaged.
- (b) Reimbursement to the Company for loss in value of its interest in the Project.

Section 7.02. Condemnation of Project. If title in and to, or the temporary use of, the Project or any part thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, the Board shall cause the proceeds received by it from any award made in such eminent domain proceeding to be paid to the Company for application in one or more of the following ways, as shall be determined by the Company:

- (a) Restoration of the Project to substantially the same condition as existed prior to the exercise of said power of eminent domain.
- (b) Acquisition, by construction or otherwise, of other property having substantially the same use and utility as the property taken in such proceedings (which property will be deemed a part of the Project available for use by the Company under this Agreement).
- (c) Reimbursement to the Company for loss in value of their interest in the Project.

The Board shall cooperate fully with the Company in the handling and conduct of any prospective or pending eminent domain proceeding with respect to the Project or any part thereof and shall, to the extent it may lawfully do so, permit the Company to litigate in any such proceeding in the name and on behalf of the Board. In no event will the Board voluntarily settle, or consent to the settlement of, any prospective or pending eminent domain proceeding with respect to the Project or any part thereof without the written consent of the Company.

ARTICLE VIII

SPECIAL COVENANTS

Section 8.01. No Warranty of Condition or Suitability by Board. The Board makes no warranty, either express or implied, as to the condition of the Project or that it will be suitable for the purposes or needs of the Company. The Company releases the Board from, agrees that the Board shall not be liable for, and agrees to hold the Board and its officers, directors, agents, servants and employees harmless against, any loss or damage to property or any injury to or death of any person that may be occasioned by any cause whatsoever pertaining

to the Project or the use thereof unless caused by the gross negligence or willful misconduct of the Board. The members of the Board of Directors of the Board shall incur no liability either individually or collectively by reason of the obligations undertaken by the Board hereunder.

Section 8.02. Identification of Machinery and Equipment Included in Project. The Company will at all times maintain in its permanent records a complete list of the furniture and equipment constituting a part of the Project, which will specifically identify each item of such furniture and equipment as being property of the Board.

ARTICLE IX

ASSIGNMENT, SUBLEASING, PLEDGING AND SELLING

Section 9.01. Assignment or Subleasing. This Agreement may be assigned (including collateral assignments, leasehold mortgages and similar pledges) and the Project be subleased, as a whole or in part, by the Company without the prior written consent of the Board provided that:

(a) unless authorized in writing by the Board, no assignment shall relieve the Company from primary liability for any of its obligations hereunder, and, in the event of any such assignment, the Company shall continue to remain primarily liable for performance and observance of the agreements on its part herein provided to be performed and observed by it to the same extent as though no assignment had been made.

(b) the assignee or sublessee shall assume the obligations of the Company hereunder to the extent of the interest assigned or subleased.

Section 9.02. Restrictions on Sale of Project by Board. The Board agrees that, except for transactions effected in accordance with Section 11.03 hereof, it will not sell, assign, encumber, transfer or convey the Project during the Lease Term or create or suffer to be created any debt, lien or charge on the rents, revenues or receipts arising out of or in connection with its ownership of the Project, and the Board will not take any other action which may reasonably be construed as tending to cause or induce the levy or assessment of ad valorem taxes; provided, that if the laws of the State of Tennessee at the time shall permit, nothing contained in this Section shall prevent the consolidation of the Board with, or merger into, or transfer of the Project as an entirety to, any public corporation whose property and income are not subject to taxation and which has corporate authority to carry on the business of owning, leasing and selling of the Project; provided that such consolidation, merger or transfer shall be authorized by the governing body of the State of Tennessee.

ARTICLE X

EVENTS OF DEFAULT AND REMEDIES

Section 10.01. Events of Default Defined. The following shall be "events of default" under this Agreement, and the terms "event of default" or "default" shall mean, whenever they are used in this Agreement, any one or more of the following events:

(a) Failure by the Board or the Company to observe and perform any covenant, condition or agreement on its part to be observed or performed, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied is given to one party by the other, unless the one giving notice shall agree in writing to an extension of such time prior to its expiration. If a failure under this Section 10.01(a) is such that it can be corrected but not within the applicable period, it shall not constitute an event of default if appropriate corrective action is instituted within the applicable period and diligently pursued until the default is corrected.

(b) A voluntary Act of Bankruptcy or an Act of Bankruptcy which, if resulting from the filing or commencement of involuntary proceedings against the Company or the Board, is not dismissed or discharged within sixty (60) days of the filing or commencement thereof.

The foregoing provisions of subsection (a) of this Section are subject to the following limitations: if by reasons of force majeure, the Board or the Company is unable in whole or in part to carry out the agreements on its part herein referred to, the failure to perform such agreements due to such inability shall not constitute an event of default nor shall it become an event of default upon appropriate notification or the passage of this stated period of time. The term "force majeure" as used herein shall mean, without limitation, the following: acts of God; strikes, lockouts or other industrial disturbances; act of public enemies; orders of any kind of the government of the United States of America or of the State of Tennessee or any of their respective departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires, hurricanes, tornadoes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Board or the Company. The Board and the Company agree, however, to remedy with all reasonable dispatch the cause or causes preventing it from carrying out its agreements; provided, that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Board or the Company, as the case may be and the Board and the Company shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is, in the judgment of the Board or the Company, unfavorable to it.

Section 10.02. Remedies on Default. Whenever any event of default referred to in Section 10.01 hereof shall have occurred and be subsisting, the Board or the Company, as the case may be, may take whatever action at law or in equity may appear necessary or desirable to enforce performance and observance of any obligation, agreement, or covenant under this Agreement.

ARTICLE XI

OPTIONS IN FAVOR OF COMPANY

Section 11.01. Options to Terminate. The Company shall have the following options to cancel or terminate the term of this Agreement:

(a) At any time, the Company may terminate the Lease Term by giving written notice to the Board of such termination.

(b) At any time, the Company may terminate this Agreement as to a part of the Project by giving written notice to the Board of such termination, and such termination shall forthwith become effective as to that part of the Project.

Section 11.02. Options to Purchase Project and Property. Upon termination or expiration of the Lease Term or termination of this Agreement in its entirety, the Company shall have, and is hereby granted, the option to purchase the Project and the Property for the purchase price of One Dollar and such amount as is necessary for the Board to prepay all amounts due and owing the City and the County under the Notes. Upon termination of this Agreement as to a part of the Project, the Company shall have, and is hereby granted, the option to purchase that part of the Project as to which the Agreement has been terminated for the purchase price of One Dollar (\$1.00). These options may be exercised whether or not the Company is in default hereunder.

Section 11.03. Conveyance on Exercise of Option. Upon exercise of the option granted above, the Board will, upon receipt of the purchase price, deliver to the Company documents conveying to the Company title to the Project or part of the Project, as the case shall be, by appropriate deeds and bills of sale, subject only to

(a) those liens and encumbrances, if any, to which title to said property was subject when conveyed to the Board;

(b) those liens and encumbrances created by or with the consent of the Company; and

(c) those liens and encumbrances resulting from the failure of the Company to perform or observe any of the agreements on its part contained in this Agreement.

ARTICLE XII

MISCELLANEOUS

Section 12.01. Notices. All notices and other communications provided for hereunder shall be written, and mailed via registered or certified mail or delivered via overnight express carrier, to the following addresses:

If to the Board:

The Industrial Development Board of
the City of Chattanooga
c/o Michael A. McMahan
Suite 400, Pioneer Building
801 Broad Street
Chattanooga, Tennessee 37402

If to the Company:

Vision Chestnut Hotel Group, LLC
2034 Hamilton Place Blvd., Suite 200
Chattanooga, Tennessee 37421
Attention: Mark Mourier

With a copy to:

Miller & Martin PLLC
Suite 1000 Volunteer Building
832 Georgia Avenue
Chattanooga, Tennessee 37402
Attention: Brian L. Eftink, Esq..

or, as to each party, at such other address as shall be designated by such party in a written notice to the other parties. All such notices and communications shall be deemed delivered as follows: (i) when mailing via overnight courier service, one business day after mailing, and (ii) when depositing in the United States mail by registered or certified mail, postage prepaid, return receipt requested, three days after deposit.

Section 12.02. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the Company, the Board, and their respective successors and assigns.

Section 12.03. Severability. If any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 12.04. Execution in Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 12.05. Captions. The captions and headings in this Agreement are for convenience only and in no way define, limit or describe the scope, extent or intent of any provision or Section hereof.

Section 12.06. Applicable Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Tennessee.

IN WITNESS WHEREOF, the Board and the Company have caused this Agreement to be duly executed in their respective corporate names, all as of the date first above written.

BOARD:

**THE INDUSTRIAL DEVELOPMENT BOARD
OF THE CITY OF CHATTANOOGA**

ATTEST:

By: _____
Secretary

By: _____
Chairman

COMPANY:

VISION CHESTNUT HOTEL GROUP, LLC

By: _____

Name: _____

Title: _____

STATE OF TENNESSEE :
COUNTY OF HAMILTON :

Personally appeared before me, _____, Notary Public,
_____ and _____,
with whom I am personally acquainted, and who acknowledged that they executed the within
instrument for the purposes therein contained, and who further acknowledged that they are the
Chairman and Secretary of the Maker, **THE INDUSTRIAL DEVELOPMENT BOARD OF
THE CITY OF CHATTANOOGA**, and are authorized by the Maker to execute this instrument
on behalf of the Maker.

WITNESS my hand, at office, this ____ day of _____, 2009.

Notary Public
My Commission Expires: _____

STATE OF :
COUNTY OF :

Personally appeared before me, _____, Notary Public,
_____, with whom I am personally acquainted, and who
acknowledged that he executed the within instrument for the purposes therein contained, and
who further acknowledged that he is the _____ of the Maker,
VISION CHESTNUT HOTEL GROUP, LLC, and is authorized by the Maker to execute this
instrument on behalf of the Maker.

WITNESS my hand, at office, this ____ day of _____, 2009.

Notary Public
My Commission Expires: _____