

**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 12 day of December, 2008, by and among **THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA** (the "Board"); **THE RIVERCITY COMPANY**, a Tennessee not-for-profit corporation (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 is contemplating the construction of a movie theater and other ancillary real property improvements (the "Project") on certain land located in Chattanooga, Hamilton County Tennessee and described in Exhibit A, attached hereto (the "Land" and together with the movie theater and all other real property improvements to be constructed thereon, the "Property"); and

WHEREAS, the Company anticipates that the Project will require a real property investment of approximately Seven Million and no/100 Dollars (\$7,000,000.00) (the "Capital Investment Projection") 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 agreed to take title (in the form of a perpetual easement granted by the Tennessee Valley Authority) to the Property and to lease the Property 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, 2010 or after December 31, 2024, 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 2010 through 2024, the Company shall make In Lieu Payments in an amount determined by the Assessor and the Trustee equal to the following percentages of the taxes that would have been payable on the Property as if it were subject to property taxes for the respective years shown:

<u>Years</u>	<u>Percentages</u>
2010 - 2024	29.2%

The parties acknowledge that the amount of real property taxes to support County schools currently represents twenty-nine and two-tenths percent (29.2%) of the total amount of the real property taxes that would have been payable on the Property if the Property were subject to real property taxes and further acknowledge that one hundred percent (100%) of such In Lieu Payments for years 2010 through 2024 shall be directed by the Trustee to support the County school system. In all other cases, the Company shall make In Lieu Payments in an amount equal to one hundred percent (100%) of the amount of taxes that would have been payable on the Property if it were subject to property taxes.

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 Investment Reporting.

(a) In order to determine the extent to which the Company achieves the Capital Investment Projection upon which the In Lieu Payments have been calculated, within one (1) year following the completion of the Project, the Company shall submit to the City and County, on a form reasonably acceptable to the City and the County, documentation of the Capital Investment Projection.

(b) If the Company fails to achieve the Capital Investment Projection, 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. 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.

12. 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. Randall L. Nelson City Attorney Suite 400, Pioneer Bank Building Chattanooga, Tennessee 37402
If to the County:	Mr. Rheubin M. Taylor County Attorney Room 204 County Courthouse Chattanooga, Tennessee 37402
If to the Company:	The River City Company 850 Market Street 2 nd Floor Miller Plaza Chattanooga, Tennessee 37402
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.

13. 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.

14. 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.

15. 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.

16. 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.

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

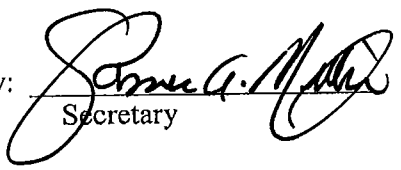
18. Amendments. This Agreement may be amended only in writing, signed by each of the parties hereto, except that the Trustee and the Assessor shall not be required to join in amendments unless such amendments affect their respective duties hereunder.

19. 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.

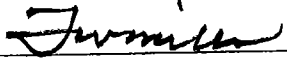
[SIGNATURES TO FOLLOW ON NEXT PAGE]

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

ATTEST:

By: 
Secretary

THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA

By: 
Chairman

THE RIVERCITY COMPANY

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

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THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA

By: _____
Secretary

By: _____
Chairman

THE RIVERCITY COMPANY

By: Paul K. Brock, Jr.

Print Name: Paul K. Brock, Jr.

Title: President

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

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OF THE CITY OF CHATTANOOGA**

By: _____
Secretary

By: _____
Chairman

THE RIVERCITY COMPANY

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

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By: _____
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By: _____
Chairman

THE RIVERCITY COMPANY

By: _____

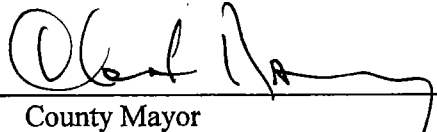
Print Name: _____

Title: _____

CITY OF CHATTANOOGA, TENNESSEE

By: _____
Mayor

HAMILTON COUNTY, TENNESSEE

By:  _____
County Mayor

CARL E. LEVI

By:  _____
Hamilton County Trustee

WILLIAM C. BENNETT

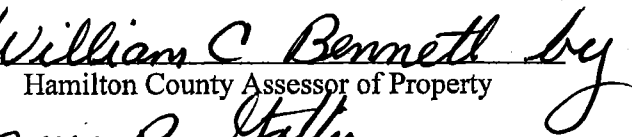
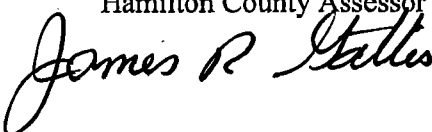
By:  _____
Hamilton County Assessor of Property


EXHIBIT A

LAND

The following described real estate located in Hamilton County, Tennessee:

Lot 1

A tract of land situated in the City of Chattanooga, Hamilton County, Tennessee and being known as Lot 1, Original Town Chestnut St. - Revised as recorded in Plat Book 90, Page 122 in the Registers Office of Hamilton County, and being more particularly described as follows:

BEGINNING at a P.K. Nail set where the southern right-of-way line of West 3rd Street, having a right-of-way width of 46 feet, intersects the western right-of-way line of Broad Street, having a right-of-way width of 126 feet, said point being the northeastern most corner of the property being herein described; thence, leaving the southern right-of-way line of West 3rd street, with and along the western right-of-way line of Broad Street South 01 degrees 48 minutes 40 seconds East, 96.42 feet to an iron rod set; thence, leaving said western right-of-way line of Broad Street South 88 degrees 04 minutes 20 seconds West, 24.29 feet to an iron rod set; thence, North 01 degrees 55 minutes 40 seconds East, 10.00 feet to an iron rod set; thence, South 88 degrees 04 minutes 20 seconds West, 53.65 feet to an iron rod set; thence, South 01 degrees 55 minutes 40 seconds East, 35.48 feet to an iron rod set; thence, North 88 degrees 04 minutes 04 seconds East, 6.54 feet to an iron rod set; thence, South 01 degrees 55 minutes 40 seconds East, 90.22 feet to an iron rod set; thence, South 88 degrees 04 minutes 21 seconds West, 5.47 feet to an iron rod set; thence, South 01 degrees 55 minutes 40 seconds East, 43.84 feet to an iron rod set; thence, South 88 degrees 04 minutes 20 seconds West, 8.00 feet to an iron rod set; thence, South 01 degrees 55 minutes 39 seconds East, 36.61 feet to an iron rod set; thence, South 88 degrees 04 minutes 22 seconds West, 152.66 feet to an iron rod set on the eastern right-of-way line of Chestnut Street, having a right-of-way width of 60 feet; thence, with and along the eastern right-of-way line of Chestnut Street, North 01 degrees 55 minutes 40 seconds West, 294.84 feet to a P.K. Nail set at the intersection of the eastern right-of-way line of Chestnut Street and the southern right-of-way line of the aforementioned West 3rd Street; thence, with and along the southern right-of-way line of West 3rd Street, North 88 degrees 37 minutes 20 seconds East, 237.74 feet to the POINT OF BEGINNING.

Said tract herein contains 54,332.40+/- Square Feet or 1.247 Acres.