

COPY

GROUND LEASE AGREEMENT

THIS GROUND LEASE AGREEMENT ("Lease") is made and entered into as of the 9<sup>th</sup> day of September, 2002, by and between: (i) THE LOUISVILLE GLASSWORKS LOFTS II, LLC, a Kentucky limited liability company (the "Landlord"), 815 W. Market Street, Louisville, Kentucky 40202, and (ii) GLASSWORKS DEVELOPMENT, LLC, a Kentucky limited liability company, having its principal office and place of business at 815 W. Market Street, Louisville, Kentucky 40202 (the "Tenant").

WITNESSETH, that:

1. Demise and Premises. Landlord, for a valuable consideration, hereby leases to Tenant the following premises (the "Leased Premises"), being a portion of the tract of land located between 8th and 9th Streets and W. Market and Congress Alley, in the City of Louisville, County of Jefferson, Commonwealth of Kentucky, and more particularly as the shaded area of the attached Exhibit A attached hereto and made a part hereof, together with all tenements, hereditaments and appurtenances belonging or in any way appertaining to the above described real property, said Leased Premises being a portion of the real property aquired by Landlord pursuant to a deed recorded in Deed Book 7696, Page 759, in the Office of the Clerk of Jefferson County, Kentucky. Notwithstanding the foregoing, Landlord and Tenant understand and agree that the Leased Premises shall not include the basement level of the currently existing building.

2. Term. The initial term of this Lease (the "Initial Term") shall be for a period of ninety-nine (99) years, beginning on the date of recordation hereof and continuing through September 9<sup>th</sup>, 2101, unless this Lease is sooner terminated pursuant to the provisions hereof. Tenant shall have the option to extend the Initial Term for one additional period of ninety-nine years, upon the same terms and conditions as set forth in this Lease ("Extended Term"), by giving Landlord written notice thereof at least 180 days prior to the expiration of the Initial Term. As used herein the word "Term" shall mean the Initial Term and any Extended Term.

3. Rent. In consideration of Landlord's conveyance of the Leased Premises to Tenant and the payment to Landlord by Tenant of ninety-nine dollars (\$99), receipt of which is hereby acknowledged, there shall be no further obligation to pay rent to Landlord during the Initial Term. Rent of ninety-nine dollars (\$99) for the Extended Term shall be due and payable by Tenant to Landlord at the commencement of any Extended Term.

4. Assignment to Council. At the later of (i) the sale of one-hundred percent of the Units or (ii) December 31, 2005, Tenant may elect to assign this Lease to the "Council" as defined within that certain Master Lease by Tenant of even date and recorded simultaneously hereof ("Assignment to the Council"), and upon the

Assignment to the Council, the Council shall become the Tenant hereunder. Provided, no such assignment shall release the assignor Tenant from any obligation or liability existing or occurring prior to such assignment, whether arising prior to, at or after such assignment, and notwithstanding anything to the contrary contained in this Lease, the Council shall not be liable or obligated with respect to any such obligation or liability.

5. Ownership of Improvements.

5.1 Prior to the Assignment to the Council. Upon the termination of this Lease prior to the Assignment to the Council, Tenant shall peacefully surrender possession of the Leased Premises to Landlord, together with all improvements constructed thereon and all licenses, easements and other rights affecting or inuring to the benefit of such Leased Premises and improvements, whether created herein or in another instrument.

5.2 After the Assignment to the Council and During Remainder of the Term. The "Condominium", as defined in the Master Lease, and any and all changes, alterations and replacements thereto located on the Leased Premises (the "Buildings") and all fixtures, equipment, machinery, furniture and furnishings, whether or not affixed to the Buildings or Leased Premises ("Equipment and Fixtures") shall be the sole property of Tenant or the respective owners from time to time of the "Units", as defined in the Master Lease (the "Unit Owners"), during the remainder of the Term. Tenant and the Unit Owners shall have the right to sell, lease, remove or otherwise transfer all or any part of the Buildings and Equipment and Fixtures at any time after the Assignment to the Council and during the remainder of the Term, without Landlord's consent.

5.3 After the Term. Upon the expiration of the Term or termination of this Lease by Tenant pursuant to the provisions hereof after the Assignment to the Council, the Leased Premises, including the Building thereon, shall be the sole property of the Landlord; provided, the foregoing shall not be deemed to affect the rights of Tenant under Section 10 or 11 hereof in the event of fire or other casualty or condemnation, or under Section 13.2 hereof in the event of a default by Landlord, or any other rights of the Tenant or the Unit Owners. Upon the expiration of the Term or termination of the Lease after the Assignment to the Council, in the event the Equipment and Fixtures have not theretofore been removed, Tenant and the Unit Owners shall have the right (but shall not be obligated) to remove the Equipment and Fixtures from the Leased Premises, or sell and Equipment and Fixtures to a third party, for removal by such third party from the Leased Premises. Landlord agrees that Tenant, the Unit Owners and their respective contractors and designees, shall have access to and the right to enter upon the Leased Premises and the Buildings for a period of one (1) year following termination of this Lease or expiration of the Term for the purposes of removing the Equipment and Fixtures. Tenant, the Unit owners and their respective contractors and designees shall not be required to repair or restore the Building or Leased Premises following removal of the Equipment and Fixtures. However, in effecting any such removal, Tenant agrees that it and the Unit Owners and their respective contractors and designees shall use reasonable efforts to minimize any damage to the Buildings.

6. Use of Leased Premises. After "Assignment to the Council" as set forth in Section 4, Tenant may use the Leased Premises for any lawful purpose, subject to the terms and conditions of the Master Lease and associated documents, and shall have the right to make such changes and alterations, structural or otherwise, and replacements to the Leased Premises as Tenant shall deem advisable; provided, however, any change to the exterior of the Building, including but not limited to the façade, height or size, shall require Landlord's approval, said approval to be in Landlord's sole discretion.

7. Representations and Warranties.

7.1 Landlord's Representations and Warranties. Landlord represents, warrants and covenants to Tenant as follows, which representations, warranties and covenants shall be deemed made again on and as of the date of the Assignment to the Council:

(a) The Leased Premises are zoned to permit the operation and maintenance of the Project thereon and allow the residential and commercial uses and business operations to be conducted thereon by the Unit Owners consisting of any use permitted under the C-3 zoning ("Permitted Uses and Businesses"), and there is no restriction or ordinance or law prohibiting the Project or the Permitted Uses and Businesses on the Leased Premises;

(b) There is satisfactory access to public streets and ingress and egress to the Leased Premises;

(c) There is electricity, telephone, water, sewage disposal system, natural or other gas serving the Leased Premises. Landlord shall grant such easements with respect to the Leased Premises for utilities as may be requested by Tenant in connection with Tenant's construction of the Project and use and occupancy of the Leased Premises;

(d) Landlord is vested with good and marketable fee simple title to the Leased Premises free and clear of any mortgages, deeds of trust, easements, covenants, charges, conditions, judgments, liens, encumbrances or restrictions, except as set forth on Exhibit B attached hereto (the "Permitted Exceptions") and has full right and lawful authority to lease the Leased Premises to Tenant;

(e) No parties other than Tenant pursuant to this Lease are entitled to possession of the Leased Premises;

(f) All taxes on the Leased Premises, except 2002 taxes which are not yet due and payable, have been paid in full, and there are no ad valorem taxes or assessments assessable or payable on the Leased Premises after such date; and

(g) This Lease constitutes the legal, valid and binding obligation of Landlord, enforceable against Landlord in accordance with its terms.

7.2 Survival of Representations and Warranties. All representations, warranties, covenants and indemnities of Landlord contained in this Lease shall survive the termination or expiration of this Lease and continue in full force and effect.

7.3 Hold Harmless by Landlord. Landlord hereby agrees to hold Tenant harmless from and against any and all claims, demands, suits, proceedings, judgments, losses, liabilities, damages, costs and expenses of every kind and nature (including, but not limited to, reasonable attorneys' fees) imposed upon or incurred by Tenant as a result of or in connection with any misrepresentation or breach of warranty or covenant made by Landlord in this Lease or in any agreement or instrument executed by Landlord in connection herewith or pursuant hereto.

8. Taxes. Tenant covenants and agrees to pay when due all ad valorem property taxes and assessments on the Leased Premises, including the Building, which are assessed or payable during the Term,.

9. Insurance.

9.1 Liability Insurance. Tenant agrees that it will obtain and keep in force during the Term general liability insurance for personal injury or property damage occurring in or upon the Building and Leased Premises in such amounts as Tenant deems reasonable and naming Landlord as an additional named insured and such additional coverage, if any, required under the Master Lease.

9.2 Casualty Insurance. Tenant agrees that it will cause to be obtained and kept in force during the Term a fire and extended coverage insurance policy in such amounts as Tenant deems is reasonable, protecting the Building from loss or damage within the coverage of such insurance policy. Tenant also agrees, to the extent such coverage is available, to obtain and keep in force during the Term insurance providing for Debris Removal ("Debris Removal") in the event of fire or other casualty within the coverage of such insurance policy, and such additional coverage, if any, required under the Master Lease.

10. Damage and Destruction. In the event the Leased Premises or the Buildings are damaged or rendered totally or partially untenantable by fire or other casualty, Tenant shall have the option to either declare this Lease terminated, or to repair or restore the Leased Premises or the Buildings. In either event, Landlord shall have no right to any of the proceeds of insurance. However, in the event Tenant opts to declare the Lease terminated, Tenant agrees to utilize any Debris Removal insurance proceeds with respect to the Leased Premises for the benefit of the Leased Premises. If Tenant desires to exercise its option to declare this Lease terminated, it shall make known its intention to do so by written notice delivered to Landlord within one hundred and eighty (180) days after the date of such damage or destruction.

11. Condemnation. In the event that all or any portion of the Leased Premises are taken or condemned by any competent authority, this Lease will terminate as to the portion of the Leased Premises so taken (or, at the option of Tenant by written notice given to Landlord prior to termination, in total) as of the earlier of the date of possession by the condemning authority, or the date of transfer of title thereto. Landlord agrees that Tenant and the Unit Owners shall have the right to contest any such taking or condemnation and to participate in and control the conduct of any proceeding with respect thereto. The entire amount of any award made for the condemning or taking of or attributable to the value of all or any part of the Project on the Leased Premises during the Term shall be paid to Tenant (or the Unit Owners, as applicable). Termination of this Lease because of a taking or condemnation shall be without prejudice to the rights of Tenant or the Unit Owners, as applicable, to recover from the condemnor compensation and damages for the injury and loss sustained by them as a result of such taking, and they shall have the right to make a claim against the condemning authority for, and have the proceeds of, the Building, Equipment and Fixtures, loss of profits, loss of this leasehold and damage to their business by the taking or condemnation.

12. Master Lease, Assignment or Subletting. Landlord hereby consents to the creation of the "Condominium" and to the "Master Lease" as defined in the Master Lease and Landlord hereby agrees, at the request of Tenant to join in the Master Lease or to execute such other documents or instruments in order to reflect such consent. Landlord hereby consents to an assignment of this Lease by Tenant to the Council. Landlord also agrees to consent in writing to an assignment or mortgage of Tenant's interest in this Lease to any lender. Except as above provided, prior to the Assignment to the Council, Tenant shall have the right to assign this Lease or sublet the whole or any part or parts of the Leased Premises or mortgage or encumber the same, only with the prior written consent of Landlord. Subject to the foregoing, this Lease shall be binding upon, and shall inure to the benefit of the parties hereto and their respective successors and assigns. Except as provided in Section 4, upon any assignment of this Lease by Tenant, Tenant shall be released from any liability to Landlord in connection with this Lease and with respect to the Leased Premises.

13. Default.

13.1 Tenant's Default. In the event Tenant shall default in the performance of any obligation or covenant in this Lease, Landlord, prior to taking any other actions, shall give Tenant written notice specifying such default. Tenant shall have thirty (30) days after receipt of said notice to correct any default. If Tenant fails to correct said default within the specified time period, Landlord may exercise such rights and remedies as it may have at law or in equity, except that Landlord shall have no right to terminate this Lease, and Tenant shall continue to have all of its rights hereunder.

13.2 Landlord's Default. In the event Landlord shall default in the performance of any obligation or covenant in this Lease, Tenant shall give Landlord

written notice thereof, and should Landlord fail to correct such default within thirty (30) days after such notice, Tenant shall have all rights and remedies at law and in equity, including without limitation the right to sue for specific performance and injunctive relief, the right to terminate this Lease and to recover from Landlord all damages and losses incurred as a result thereof, and the right to recover all damages and losses caused by such default.

13.3 Obligation to Cure. If any default occurs (other than a default in the payment of money) which cannot with due diligence be cured within a period of thirty (30) days, and if the defaulting party commences to eliminate the cause of such default within said thirty (30) day period and proceeds diligently and with reasonable dispatch to take all steps and do all work required to cure such default and does so cure the default, then the defaulting party shall not be deemed in default.

14. Quiet Enjoyment. Landlord covenants that Tenant shall peacefully and quietly have, hold and enjoy the Leased Premises at all times during the Term.

15. Waiver. The failure of either party to insist upon prompt and strict performance of any of the terms, conditions or undertakings of this Lease, or to exercise any option herein conferred, in any one or more instances, shall not be construed as a waiver of the same or any other term, condition, undertaking or option.

16. Notices. All notices, requests, consents, demands, approvals, elections or other communications required or permitted under this Lease shall be in writing and (a) personally delivered, (b) sent by confirmed telephonic facsimile, (c) sent by registered or certified U.S. Mail, return receipt requested, postage prepaid, or (d) by overnight courier addressed as follows (or to such other address as either party may hereafter specify to the other by notice in accordance herewith):

a. If to Landlord:

The Louisville Glassworks Lofts II, LLC  
815 Market Street  
Louisville, Kentucky 40202  
Attention: C. William Weyland, Jr.

with a copy to:

Tilford, Dobbins, Alexander, Buckaway and Black,  
LLP  
1400 One Riverfront Plaza  
Louisville, KY 40202  
Attn: Charles W. Dobbins

b. If to Tenant Prior to the Assignment  
to the Council:

Glassworks Development, LLC  
815 Market Street  
Louisville, Kentucky 40202  
Attention: C. William Weyland, Jr.

with a copy to:

Tilford, Dobbins, Alexander, Buckaway and Black,  
LLP  
1400 One Riverfront Plaza  
Louisville, KY 40202  
Attn: Charles W. Dobbins

C. If to Tenant After the Assignment to the Council:

Glassworks 214 Homeowners, Inc.  
815 W. Market Street  
Louisville, Kentucky 40202  
Attention: President

17. Recordation. Contemporaneously herewith Tenant has recorded this Lease. This Lease, and such amendment permitted in Section 18, shall not be released of record without the prior written consent of the Unit Owners.

18. Entire Agreement, Modification: Severability. The Unit Owners are intended third party beneficiaries of the applicable provisions of this Lease. This Lease contains the entire agreement between the parties hereto with respect to the subject matter hereof. This Lease shall not be modified in any manner, except by an instrument in writing executed by Landlord. If any term or provision of this Lease or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term or provision to persons, entities or circumstances other than those to which it is held invalid or unenforceable, shall not be affected thereby and each term and provision of this Lease shall be valid and be enforced to the fullest extent permitted by law. Notwithstanding anything contained in this Section 18 to the contrary, Landlord and Tenant shall have the right, with without the consent of the Unit Owners, to amend this Lease to correct the legal description of the Leased Premises as set forth in Exhibit A.

19. Mortgage Subrogation. Landlord agrees that it will, after the Assignment to the Council, upon written demand by Tenant, execute such documents as may be required at any time and from time to time to subordinate the rights and interest of Landlord in this Lease to the lien of any mortgage, mortgages, trust deed or trust deeds pertaining to the Building (including but not limited to the "Units" of the Unit Owners as

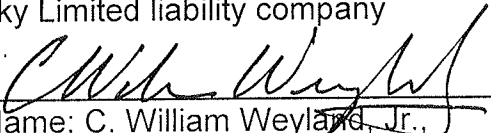
defined in the Purchase Contracts or the Master Lease) or leasehold estate of Tenant created hereby. Landlord further agrees that in the event of any breach of this Lease by Tenant, Landlord shall not be entitled to assert a lien against the Building or Equipment and Fixtures or any other property of Tenant or the Unit Owners located in or on the Leased Premises.

20. No Commissions. Each of the parties hereto hereby represents and warrants to the other that there are no real estate commissions or brokers' fees due in connection with this Lease.

IN WITNESS WHEREOF, the parties hereto have caused this Lease to be duly executed as of the day and year first above written.

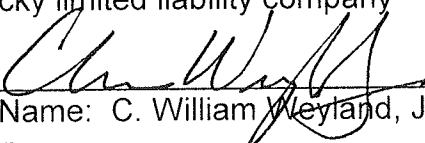
LANDLORD:

THE LOUISVILLE GLASSWORKS LOFTS II, LLC,  
a Kentucky Limited liability company

By:   
Printed Name: C. William Weyland, Jr.,  
Manager

TENANT:

GLASSWORKS DEVELOPMENT, LLC  
a Kentucky limited liability company

By:   
Printed Name: C. William Weyland, Jr.,  
Manager



STATE OF KENTUCKY  
COUNTY OF JEFFERSON

I, a Notary Public, within and for the State and County aforesaid, do hereby certify that the foregoing instrument of writing was this day produced to me in said State and County and was executed and acknowledged by C. WILLIAM WEYLAND, JR. as Manager of THE LOUISVILLE GLASSWORKS LOFTS II, LLC and as Manager of GLASSWORKS DEVELOPMENT, LLC, to be the free and voluntary act and deed of THE LOUISVILLE GLASSWORKS LOFTS II, LLC, and GLASSWORKS DEVELOPMENT, LLC, party thereto.

WITNESS my signature this 9<sup>th</sup> day of Sept., 2002.

My commission expires: 1/23/2002.

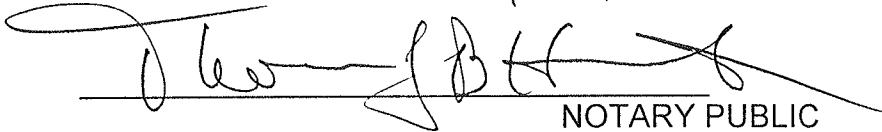
  
NOTARY PUBLIC

EXHIBIT "A"  
Leased Premises

800 W. MARKET STREET - 90' R/W

FACE CURB

SIDEWALK

The Louisville Glassworks Lofts II, LLC  
D.B 7696, Pg. 759  
.0941 Acres  
40,950 Sq. Ft.

1 STORY BRICK  
OFFICE BUILDING  
800 W. MARKET STREET

105.00'  
10.00'  
ALLEY 10' R/W  
10.00'  
105.00'

104.00'  
200.00' SIDEWALK

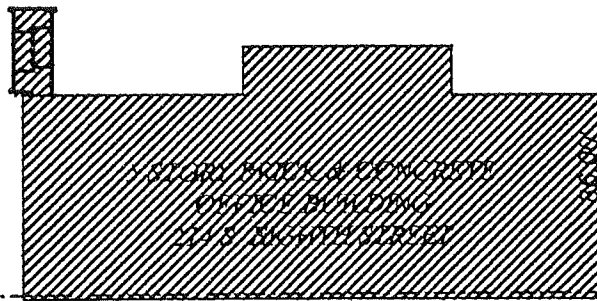
FACE CURB

8th STREET - 60' R/W

200.00'

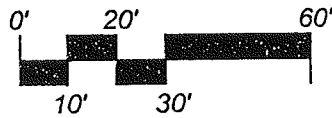
210.00'

AREA NOT  
INCLUDED  
IN LEASED  
PREMISES



STEEL FRAME & CONCRETE  
OFFICE BUILDING  
215 S. EIGHTH STREET

LEASED PREMISES  
(SHADED)



SCALE: 1" = 40'

EXHIBIT“B”  
PERMITTED TITLE EXCEPTIONS

Subject to the Easement to Louisville Gas and Electric Company dated February 20, 1961, of record in Deed Book 3680, Page 332, in the Office of the Jefferson County Clerk.

Open-End Mortgage of Real Property Security Agreement of Personal Property and Assignment of Rents and Profits from The Louisville Glassworks Lofts II, LLC, to U.S. Bank National Association, a national banking association, its successors and assigns of record dated May 8, 2002, of record in Mortgage Book 6727, Page 238, in the Office aforesaid.

Assignment of Rents and Leases between The Louisville Glassworks Lofts II, LLC, as assignor and U.S. Bank National Association, a national banking association dated May 8, 2002 of record in Deed Book 7878, Page 978 in the Office aforesaid.

Fixture filing by The Louisville Glassworks Lofts II, LLC, as debtor dated May 8, 2002 of record in Lien Book 048, Page 396 in the Office aforesaid.

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