

**LEASE AGREEMENT
BY AND BETWEEN THE CITY OF FRANKLIN, TENNESSEE AND
FIRST BANK FOR 510 COLUMBIA AVENUE, FRANKLIN, TENNESSEE 37064
COF NO. 2012-0204**

This Lease Agreement made as of February 12, 2013 by and between the **CITY OF FRANKLIN, TENNESSEE** a municipal governmental entity of the State of Tennessee (hereinafter referred to as "City" or "Lessor"), and **FIRST BANK**, a Tennessee state banking corporation, (hereinafter referred to as "First Bank" or "Lessee").

WITNESSETH:

1. **LEASED PREMISES.** The Lessor leases to the Lessee the real property, building, parking areas and fixtures, excluding in all respects the lower level basement, located at 510 Columbia Avenue, Franklin, Tennessee 37064, as generally depicted on Exhibit A, which is attached hereto (hereinafter referred to as "Leased Premises"). Notwithstanding the fact that the basement is not contained within the Leased Premises, Lessee shall be responsible to maintain the HVAC system and mechanical systems related to the operation and use of the Leased Premises and Lessee shall be granted access to the basement for such purposes. The Leased Premises are leased to Lessee in its "AS IS" condition. The basement, which is not part of the Leased Premises, shall be used by Lessor for storage and shall not be leased by the Lessor to others except with the prior written consent of Lessee. With regard to parking areas comprising the Leased Premises and related signage, the Lessee shall have exclusive use thereof subject to applicable City ordinances and regulations.

2. **TERM.** The Lessor leases to the Lessee the Leased Premises for the term of twenty (20) years from the earlier date of July 1, 2013 or the date the Lessee is issued a building permit for the Leased Premises. At the expiration of the initial term, Lessee, at its election shall be entitled to extend the Lease for one ten (10) year term, provided that, Lessee makes such capital improvements to the Leased Premises as to cause the Leased Premises to be in substantially the same condition as the condition that exists immediately following the renovations made pursuant to Section 6 herein. At the expiration of the first extended term, the Lease may be extended for an additional ten (10) year term if such extension is mutually agreeable to both the Lessor and Lessee. Additionally, at any time after the completion of the capital improvements and subject to the terms of the Lease, First Bank shall have the right to terminate the Lease on sixty (60) days prior written notice.

3. **RENT.** The annual rent for the Leased Premises shall be \$24,000.00, with no increase for the first five (5) years, payable in equal monthly installments, which rent payment shall commence once a building permit is issued in favor of Lessee for the contemplated renovations. After the first five (5) years, the rent shall increase in five (5) year increments based on the Core CPI for each preceding five (5) year period.

4. **EXISTING TENANTS.** The term "Existing Tenants" shall mean (a) Kathy A. Russell d/b/a Post Officer Contractor (hereinafter referred to as "U.S. Post Office Contractor"), and (b) The Heritage Foundation of Franklin and Williamson County, Tennessee (hereinafter referred to as "Heritage Foundation.") First bank shall offer to extend a sublease to the U.S. Post Office Contractor for the same term (including all renewal terms) as extended by Lessor to Lessee hereunder for the purpose of maintaining a U.S. Post Office within the Leased Premises, with no increase in rent over the amount currently paid. This sublease shall not be assigned unless the assignment is from the U.S. Post Office Contractor to the United States Postal Service or to any other contractor who operates a facility for the delivery and receipt of U.S. Mail in substantially the same manner as operated by the U.S. Post Office Contractor. Should Lessee not be successful in retaining the current U.S. Post Office Contractor as a

sublessee, Lessee shall use all reasonable and best efforts to sublease to and maintain a Postal Service type tenant. Lessee shall offer to extend a sublease to the Heritage Foundation at no rental increase from the rent currently paid by the Heritage Foundation for the purpose of maintaining the general business offices of the Heritage Foundation. Alternatively, Lessee, at the elections of the Heritage Foundation, shall assist the Heritage Foundation in relocating to other space satisfactory to the Heritage Foundation.

5. **TRIPLE NET LEASE PROVISIONS**. The Lease shall be a “triple net lease.” Lessee shall be responsible for all maintenance, taxes, utilities, and insurance required in connection with the Leased Premises. Lessor shall be named an additional loss payee on all hazard insurance maintained by Lessee on the Leased Premises.

6. **LESSEE’S COVENANTS**. The Lessee agrees:

a) **Rent**. That Lessee will pay the said rent at the times and in the manner aforesaid.

b) **Late Fee**. That if any installment of rent is not paid on or before the tenth (10th) day of the month when due or any additional rent is not paid within thirty (30) days after billing is mailed by Lessor, there shall be a late fee and service charge assessed against Lessee, without waiver of any rights of Lessor to declare a default hereunder, equal to ten percent (10%) of such amount due which charge will be payable immediately by Lessee as further additional rent.

c) **Capital Improvements**. Lessee shall make the capital improvements to the Leased Premises described on the capital improvements schedule attached hereto as Exhibit B, expected to be in an aggregate amount of \$3,000,000.00. A list of all capital improvements to be made by Lessee shall be submitted to Lessor prior to the installation of any work, along with all material work plans. All improvements to the Leased Premises shall be done in a workmanlike manner and shall comply with all City regulations, codes and ordinances, including, without limitation, approval from the City’s Historic Zoning Commission, Board of Zoning Appeals, and Planning Commission, as applicable. Prior to the initiation of any work, Lessee shall obtain such permits as and when required by City codes. All improvements to the Leased Premises shall conform to the requirements imposed by the covenants contained in the Quitclaim Deed of record in Book 1014, page 818, Register’s Office for Williamson County, Tennessee and in the Special Warranty Deed of record in Book 4387, page 320, Register’s Office for Williamson County, Tennessee. All improvements shall also comply with the State Historic Preservation Office requirements. Lessor shall have the right to inspect the Leased Premises at any time, with reasonable notice the Lessee. All alterations, additions, repairs, replacements and improvements made to or upon the Leased Premises shall be deemed to be part of the Leased Premises and shall become the property of Lessor upon the expiration or termination of this Lease; provided, however, that trade fixtures, machinery, and equipment that are installed by Lessee and removable without materially injuring the Premises shall remain the property of Lessee.

d) **Governmental Compliance**. During the term of the Lease, Lessee shall maintain compliance with all laws and regulations applicable to its renovation, use, and occupancy of the Leased Premises. The Leased Premises shall be improved in such a manner as to comply with the American with Disabilities Act.

e) **Sustainable Practices**. Lessee agrees to use its best efforts to utilize sustainable practices for all improvements as provided by Lessor and to the extent practical considering both requirements of the State Historic Preservation Office and a reasonable cost/benefit analysis. Lessor and Lessee agree that

the sustainable practices referenced herein shall be satisfied upon compliance by Lessee with those items listed on Exhibit C.

f) Landscaping and Signage. Lessee shall obtain approval from Lessor, as required by applicable ordinances, for all landscaping and signage. Lessee shall insure that all landscaping and signage compliments the community character of the area in which the Leased Premises are located. Lessee shall maintain, to City ordinances and regulations, all of the Leased Premises, including, but not limited to, the parking area and all landscaped areas.

g) Waste. Lessee shall commit no waste at the Leased Premises. Lessee shall maintain the Leased Premised in good working order and repair. At the termination of the Lease, Lessee shall return the Leased Premises to the Lessor in as good a condition or better from the date Lessee receives a Certificate of Occupancy by the City, reasonable wear and tear excepted.

h) Payment of Utilities. Lessee shall pay for all utilities, the cost of which shall be borne by Lessee by direct payment to the provider thereof throughout the term of the Lease.

i) Permitted Use. Excluding such portion of the Leased Premises as will be occupied by the Existing Tenants, Lessee shall use the Leased Premises solely as a full-service commercial bank branch facility, with attendant services thereto.

j) Security. Lessee shall be responsible for all security and security systems applicable to the Leased Premises.

k) Not to Injure; That Lessee will not injure or deface or suffer to be injured, overloaded, or defaced the premises or any part thereof. Lessee shall allow no lien to be placed against the Leased Premises.

l) Liability Insurance. Without limiting its liability under this Lease Agreement, Lessee shall procure and maintain at its expense during the life of the Lease Agreement insurance of the types and in the minimum amounts stated as follows:

- (1) Commercial General Liability Coverage
 - \$1,000,000 Each Occurrence
 - \$2,000,000 General Aggregate
 - \$1,000,000 Personal and Advertising Injury
 - \$2,000,000 Products-Completed Operations Aggregate
 - \$100,000 Damage to Rented Premises (each occurrence)
 - \$5,000 Medical Expense (any one person)

Certificate of Insurance shall include the City of Franklin as Additional Insured with the attachment of the Additional Insured Endorsement and must indicate that this coverage applies on a Per Location basis.

- (2) Workers Compensation
 - Statutory Limits

Certificate of Insurance shall include the City of Franklin as a Certificate Holder for proof of insurance coverage.

(3) Employers Liability

\$1,000,000 Bodily Injury Each Accident
\$1,000,000 Policy Limit Bodily Injury by Disease
\$1,000,000 Each Employee Bodily Injury by Disease

Certificate of Insurance shall include the City of Franklin as a Certificate Holder for proof of insurance coverage.

(4) Umbrella or Excess Liability

\$1,000,000 Each Occurrence and \$1,000,000 Aggregate

Certificate of Insurance shall include the City of Franklin as a Certificate Holder for proof of insurance coverage.

(5) Property

\$2,300,000 Building Coverage with Special Cause of Loss Form, including Earthquake, Flood, and Equipment Breakdown coverage

Certificate of Insurance shall include the City of Franklin as Loss Payee.

Lessee agrees to provide a Waiver of Subrogation on the General Liability, Umbrella, Workers Compensation, and Employers Liability provided by the lessee's insurance company within these policies. Lessee agrees to provide proof of a Builders Risk policy that will cover the physical improvements as well as General Liability with building owner City of Franklin also as an Additional Insured and proof of WC and Employers Liability coverage from the construction contractor. Lessee's insurance policy, if applicable, shall name the City of Franklin as an "Additional Insured with respects to the Lease only." Said insurance shall be written by a company(s) licensed to do business in the State of Tennessee and satisfactory to City of Franklin Risk Management. Prior to occupying a City owned, leased or rented space, a Certificate of Insurance evidencing the maintenance of said insurance shall be furnished to City of Franklin Risk Management and shall contain the following statement: "The insurance evidenced by this Certificate will not be canceled or altered except with written consent by and between the Insured and Additional Insured named within the insurance contract".

m) Personal Property Insurance. That it shall be Lessee's sole responsibility to insure and keep insured, at Lessee's expense, all personal property which is owned by Lessee, or any other authorized occupant of the leased premises, and which is placed or stored in the leased premises or elsewhere in the building of which they are a part.

n) Unlawful Use. That Lessee will not make or suffer any unlawful use of the premises, or any use or occupancy thereof contrary to any law of the State of Tennessee or any ordinance or regulation of the City of Franklin now or hereafter made, or which shall be injurious to any person or property, or which shall be liable to endanger or affect any insurance on the said building or to increase the premium thereof, nor shall Lessee make or suffer any sale of any intoxicated beverages.

o) Newsracks. No fixtures such as newsracks or other receptacles shall be placed outside the building; Lessee may place a reasonable number of newsracks or other receptacles in common areas provided such placement complies with applicable law and does not impede ingress or egress.

p) Assignment. That Lessee will not assign, sublet, or in any way part with the possession of the whole or any part of the premises without first obtaining the written consent of the Lessor, with the exception of the subleases with the Existing Tenants, provided, however, the consent of the Lessor shall not be required in the following circumstances: (1) Lessee merges or consolidates with another financial institution and such financial institution as surviving entity: (i) assumes all obligations of Lessee to the Lessor under the Lease, and (ii) agrees in writing to maintain full-service banking operations at the Leased Premises in substantially the same manner by Lessee, or (2) Lessee assigns its rights under the Lease to another financial institution that: (i) assumes all obligations of Lessee to Lessor under the Lease, and (ii) agrees in writing to maintain full-service banking operations at the Leased Premises in substantially the same manner as maintained by Lessee.

q) Permission of Lessor to Enter. That the Lessor at all reasonable times may enter to view the premises and to make repairs which the Lessor may see fit to make.

r) Environmental. Lessee shall comply with all applicable environmental laws and regulations in its renovations to and use of the Leased Premises.

s) Yield up Premises at Expiration of Term. That at the expiration of the said term Lessee will peaceably yield up to the Lessor the premises and all erections and additions made upon the same, in good repair in all respects, reasonable use and wear excepted, as the same now are or may be installed, attached or affixed by the Lessor.

t) Indemnification and Hold Harmless. Lessee shall indemnify and hold harmless Lessor, its officers, agents and employees from:

- 1) Any claims, damages or suits for loss of or damage to property, including loss of use thereof, or injuries, including death to persons and from all judgments recovered therefore and from all expense in defending said claims or suits, including court costs and attorney fees for injuries or damages arising, in part or in whole, from the negligent or intentional acts or omissions of Lessee, its officers, employees and/or agents, including its sub or independent contractors and patrons, in connection with this Lease Agreement.
- 2) Any claims, damages, penalties, costs and attorney fees arising from any failure of Lessee, its officers, employees and/or agents, including its sub or independent contractors, to observe applicable laws, including, but not limited to, labor laws and minimum wage laws.
- 3) Lessor will not indemnify, defend or hold harmless in any fashion the Lessee from any claims regardless of any language in any attachment or other document that the Lessee may provide.
- 4) Any claims, damages, penalties, costs and attorneys fees arising from any action brought against the City of Franklin by any of Lessee's officers, employees and/or agents arising out of any injury incurred by such officer, employee and/or agent in the course of the performance of this contract, regardless of the cause of such injury, unless the cause of such injury results from the Lessor's gross negligence or willful misconduct.
- 5) Lessee shall pay Lessor any expenses incurred as a result of Lessee's failure to fulfill any obligation in a timely manner under this Lease Agreement.
- 6) Enforcement Expenses. In the event it becomes necessary for Lessor to employ an attorney to enforce collection of the rents agreed to be paid, or to enforce compliance with any of the covenants or agreements herein contained, Lessee shall be liable for

reasonable attorney's fees, costs and expenses incurred by the Lessor in any successful litigation pursued by the Lessor.

u) Assent Not Waiver of Future Breach of Covenants. That no assent, express or implied, by the Lessor to any breach of any of the Lessee's covenants, shall be deemed to be a waiver of any succeeding breach of the same covenant.

v) Maintenance of Records. The books, records and documents of Lessee, insofar as they relate to this Lease Agreement, shall be maintained for a period of three (3) full years from the date of expiration of this Lease Agreement and will be subject to audit, at any reasonable time and upon reasonable notice by Lessor or its duly appointed representatives. The records shall be maintained in accordance with generally accepted accounting principles.

w) Employment. Lessee shall not subscribe to any personnel policy which permits or allows for the promotion, demotion, employment, dismissal or laying off of any individual due to race, creed, color, national origin, age, sex, or which is in violation of applicable laws concerning the employment of individuals with disabilities.

7. LESSOR'S COVENANTS. The Lessor agrees:

a) Covenant for Quiet Enjoyment. That the Lessee shall peaceably hold and enjoy the premises, subject to the terms of this Lease Agreement.

b) Remedy of Failure to Maintain by Lessee. Lessor reserves the right, after a reasonable period of notice to remedy any delinquent maintenance responsibility of Lessee and failure to cure, and to seek full reimbursement from Lessee. This in no way limits Lessor's rights to recover by other means or methods provided by law.

c) Construction of Improvements. Lessor shall permit Lessee to locate a modular, non-permanent banking facility on the Leased Premises for use of customers of Lessee during construction of renovations and improvements to the Leased Premises.

8. DEFAULT, INSOLVENCY, ETC. OF LESSEE. If Lessee shall neglect or fail to perform and observe any of the covenants in this instrument, which on its part are to be performed and such default shall continue for a period of thirty (30) days after the mailing of a written notice, postage prepaid from the Lessor to the Lessee specifying such default, or the Lessee shall be declared bankrupt or insolvent according to law, or if any assignment shall be made of any of its property for the benefit of creditors, then, and in any of the said cases, the Lessor or those having their estate in said premises, lawfully may immediately or at any time thereafter, and while such neglect or default continues and without further notice or demand, enter into and upon the premises or any part thereof in the name of the whole and repossess the same as of their former estate and expel the said Lessee and those claiming under it, and remove their effects (forcibly if necessary) without being taken or deemed guilty of any manner of trespass and without prejudice to any remedies which might otherwise be used for arrears of rent, or preceding breach of covenant and, at the Lessor's election, the said term shall cease and be ended. Further, the Lease shall be immediately terminated in the event Lessee (while the tenant) has its banking operations closed by order of the FDIC or any state or federal banking agency having applicable jurisdiction over Lessee.

9. **TAKING BY EMINENT DOMAIN.** In the event the whole or a substantial part of the premises shall be taken by the City of Franklin, the State of Tennessee or other entity with the authority to exercise eminent domain for any public use by condemnation or agreement upon the threat of condemnation, then this Lease Agreement shall terminate from the time when possession of the whole or of the part so taken shall be required for such public use, and the rents, properly apportioned, shall be paid up to that time; and the Lessee shall not claim or be entitled to any part of the award to be made for damages for such taking for public use; and such taking shall not be deemed a breach of the Lessor's covenant for quiet enjoyment hereinbefore contained.

10. **SURRENDER OF PREMISES.** At the expiration of the term of this Lease, Lessee shall peaceably yield up to Lessor the Premises and all erections and additions made thereto except as hereinbefore provided, in good repair in all respects, reasonable use, wear and tear and damage by fire or other casualty or by condemnation excepted.

11. **HOLDING OVER.** Should Lessee hold over the term hereby created with the consent of Lessor, Lessee shall become a Lessee from month to month at the monthly rental then payable hereunder and otherwise upon the covenants and conditions in this Lease contained, and shall continue to be such Lessee until thirty (30) days after either party serves upon the other notice of intention to terminate such monthly tenancy.

12. **COVENANT AND AGREEMENTS.** All of the covenants, agreements and conditions of this Lease shall accrue to the benefit of and be binding upon the respective parties hereto and their successors and assigns as if they were in every case named and express.

13. **CHOICE OF LAW.** This Lease Agreement shall be governed by the laws of the State of Tennessee.

14. **NOTICES.** Any notice provided pursuant to this Lease, if specified to be in writing, will be in writing and will be deemed given: (a) if by hand delivery, then upon receipt thereof; (b) if mailed, then three (3) days after deposit in the mail where sender is located, postage prepaid, certified mail return receipt requested; (c) if by next day delivery service, then upon such delivery; or (d) if by facsimile transmission or electronic mail, then upon confirmation of receipt. All notices will be addressed to the parties at the addresses set forth below (or such other address as either party may in the future specify in writing to the other):

Lessor:

Eric Stuckey, City Administrator
City of Franklin
109 3rd Ave. South
P.O. Box 305
Franklin, TN 37065-0305

Lessee:

Britin H. Boatright, Nashville President
First Bank
529 Harpeth Drive
Brentwood, TN 37027

With a Copy to:

Shauna R. Billingsley, City Attorney
109 3rd Avenue South
Franklin, TN 37065

15. **SEVERABILITY**. Should any provision of this Lease Agreement be declared to be invalid by any court of competent jurisdiction, such provision shall be severed and shall not affect the validity of the remaining provisions of this Lease Agreement.

16. **ENTIRE AGREEMENT**. This Lease Agreement and its attachments contain the entire agreement between the parties, and no statement, promises, or inducements made by either party or agent of either party that is not contained in this Lease Agreement shall be valid or binding; and this Lease Agreement may not be enlarged, modified or altered except in writing signed by the parties and attached hereto.

17. **VENUE**. In the event that any term of this Lease Agreement or its attachments become subject to litigation, the venue for such action will be in Williamson County, Tennessee.

18. **WAIVER**. No waiver of any provision of this Lease Agreement shall be valid unless in writing and signed by the parties against whom charged.

19. **LIMITATION OF LIABILITY**. Notwithstanding any provision hereinto the contrary, Lessee shall look solely to the equity of Lessor in and to the premises in the event of a breach or default by Lessor pursuant to the provisions of this Lease, and lessee agrees that the liability of Lessor under this Lease shall not exceed the value of such equity of Lessor in the premises. No other properties or assets of Lessor shall be subject to levy, execution or other enforcement procedures for the satisfaction of any judgment (or other judicial process) arising out of, or in connection with this Lease Agreement.

20. **PARTNERSHIP-JOINT VENTURE**. Nothing herein shall in any way be construed or intended to create a partnership or joint venture between the parties or to create the relationship of principal and agent between or among any of the parties. None of the parties hereto shall hold itself out in a manner contrary to the terms of this paragraph. No party shall become liable for any representation, act or omission of any other party contrary to the terms of this paragraph.

21. **EFFECTIVE DATE**. This Lease Agreement shall not be binding upon the parties until it has been signed first by the Lessee and then by the authorized representatives of the City of Franklin and has been filed in the office of the Mayor. When it has been so signed and filed, this Lease Agreement shall be effective as of the date first written above.

22. **CONTINGENCIES**. Performance under this Lease shall be subject to: (a) approval by the City and its various agencies of the plans and specifications submitted by Lessee for the renovations, signage, and landscaping, (b) the execution by Lessee and each of the Heritage Foundation and the U.S. Post Office Contractor of mutually satisfactory subleases; provided that if the Heritage Foundation chooses to relocate, then the requirement for a mutually satisfactory sublease with the Heritage Foundation shall not be applicable; (c) prior to the execution of a mutually satisfactory lease, First Bank does not uncover any fact or circumstance that materially and adversely affects its intended use of the Leased Premises, (d) approval from the City and any other local, state, or federal agency having applicable jurisdiction of transportation plans related to the access to the rear of the Leased Premises and the installation of parking and drive-thru banking facilities, and (e) the determination by Lessee that the requirements of the City and SHPO related to the construction, renovations, improvements, and use of the Leased Premises are satisfactory to Lessee.

IN WITNESS WHEREOF, the parties hereto have hereunto caused their names to be signed to multiple copies of this Lease Agreement as of the day and date last written below in Acknowledgements, all copies constituting, however, but one Lease Agreement.

Lessor:

Lessee:

CITY OF FRANKLIN, TENNESSEE

FIRST BANK

Dr, Ken Moore
Mayor

Britin H. Boatright
Nashville President

Attest:

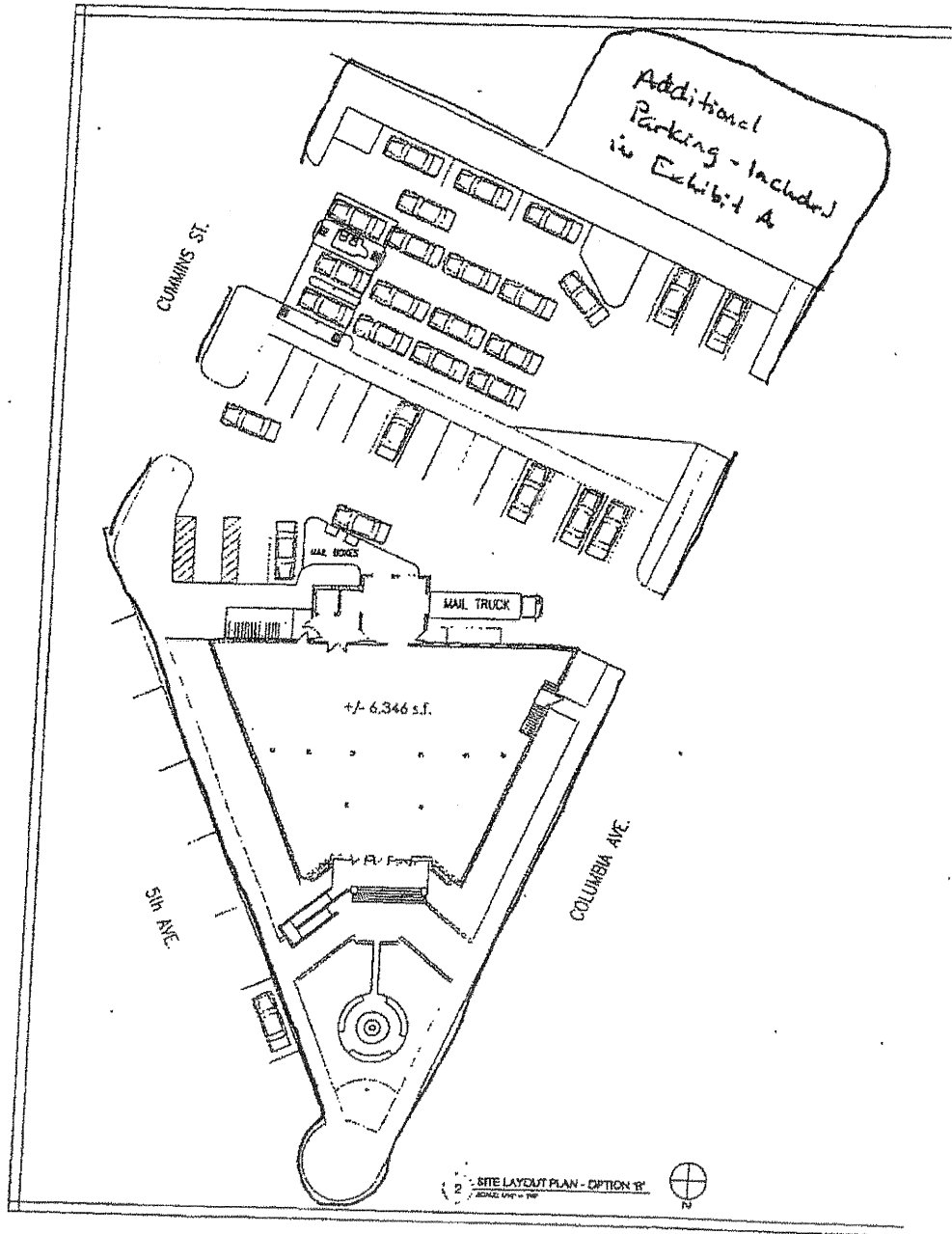
Eric Stuckey,
City Administrator

Approved as to Form:

By: _____
Shauna R. Billingsley
City Attorney

Julian Bibb
Counsel for First Bank

EXHIBIT A



Five Points Scope of Interior and Exterior Improvements

The information below is not an inclusive listing of interior and exterior improvements. This scope is based upon the information provided by the City and previously discussed improvements to the facility and its grounds.

Interior

This information is based upon the findings furnished in the Request for Proposal Appendix E.

1. Abate all asbestos and lead paint issues on the first floor, abatement of the basement will only take place if the area in question will be disturbed during renovations.
2. Replace plumbing fixtures located on the first floor and expand all restrooms to meet ADA requirements.
3. Replace Hot water heating system and ensure its proper operation.
4. Replace the current HVAC system including thermostatic controls.
5. Replace all flooring located on the first floor.
6. Remove storm windows; replace all existing windows with insulated divided light fixed windows of similar style. These windows will include a horizontal bar to give the appearance of the existing double hung windows.
7. Create level entry points at all entrance doors.

Preparation for Interior Demolition.

1. Move the Post Office counter operations to a mobile facility at the rear of the building. Construct a weatherproof ADA ramp to the mobile facility. Run all utilities and required electrical as per code.
2. Construct a facility to house a guard station whose purpose will be to escort post office box holders to and from the owner's box. Post Office boxes must have 24/7 access.

Five Points Scope of Interior and Exterior Improvements

Preparation for Demolition Continued.

3. Arrange temporary power as needed.
4. Construct a lit, secure and weatherproof walkway from the rear exterior to the post office box locations.
5. Post signage and notices required.

Interior Demolition.

1. Remove existing ceiling.
2. Remove antiquated and existing electrical wiring and conduit to the main service location in the basement.
3. Remove existing interior walls.
4. Remove existing plumbing lines and replace.
5. Remove all flooring not addressed at abatement.
6. Remove existing boiler and heating system from the basement.

Interior Construction.

1. Reconstruct Post Office box wall.
2. Run plumbing lines and replace all fixtures.
3. Repair, patch and paint existing wall structure.
4. Construct new walls as per approved plans.
5. Repair, patch and paint existing wall structure.
6. Run Electrical and data lines.
7. Run HVAC supply and returns.
8. Install new flooring.
9. Install new lighting.
10. Install Window Sills.
11. Install Alarms.
12. Create glass entry at vestibule.

Five Points Scope of Interior and Exterior Improvements

Interior Construction continued.

13. Install new ceiling.

Bank TI.

1. Install Bank equipment, furniture and finish as per approved plans.

Exterior.

1. Demolish and replace all handicap ramps as per approved drawings.
2. Demolish and replace all landscaping as per approved drawings.
3. Replace rotted and missing wood trim.
4. Replace all gutters and downspouts.
5. Replace exterior window sills.
6. Replace all exterior doors.
7. Demolish rear parking area, grade, fill and rework islands as per approved drawings.
8. Demolish and replace concrete sidewalks and traffic barriers as per approved drawings.
9. Replace site lighting as per approved drawings.
10. Add canvas awnings as per approved drawings.
11. Remove condensing units as per approved drawings.
12. Remove asphalt and run underground pneumatic tubing as per approved drawings.
13. Add exterior irrigation as per approved drawings.
14. Replace flag pole as per approved drawings.
15. Add water feature as per approved drawings.
16. Construct remote drive thru as per approved drawings.
17. Re-surface, restripe parking lot as per approved drawings.
18. Repaint building as per approved drawings.
19. Add exterior benches as per approved drawings.

Five Points Scope of Interior and Exterior Improvements

20. Construct all exterior entrances and walk ways to meet ADA codes.
21. Add Exterior signage as per approved drawings.
22. Rework front entrance as per approved drawings.

Contingency Planning.

With limited building history and drawings, unexpected complications during renovations of a building of this age are anticipated. FirstBank will work with the City of Franklin regarding unanticipated issues and remedy these items quickly.

EXHIBIT C

Items to be considered during renovation of the Five Points Post Office will include the following;

- Use of low water or flushless toilet facilities, hand dryers vs. paper products.
- Installation of LED lighting throughout the first floor.
- Replacement of the HVAC system with a much higher efficiency and energy management controls.
- Use of solar panels for water heating purposes.
- Lower wattage, high efficiency parking lot lighting.
- Wireless thermostatic control.
- Installation of economizing dampers for "free cooling".
- Wireless lighting sensors which maintain candlepower while incorporating natural light.
- Double pane windows which match the existing windows.
- Decreased diameter and insulated duct work.



HISTORIC
FRANKLIN
TENNESSEE

ITEM #9
WRKS 11/27/2012

MEMORANDUM

November 20, 2012

TO: Board of Mayor and Aldermen

FROM: Eric Stuckey, City Administrator *ES*
Russ Truell, Assistant City Administrator/CFO
Shauna Billingsley, City Attorney
Brad Wilson, Facilities/Project Manager

SUBJECT: Letter of Intent with First Bank for the Renovation and Lease of the Five Points Building

Purpose

The purpose of this memorandum is to provide the Board of Mayor and Aldermen (BOMA) with information to consider a Letter of Intent for the lease of the Five Point Post Office building to First Bank, City of Franklin Contract No. 2012-0175.

Background

In 2007, the City of Franklin acquired the Five Points Post Office building along with other properties as a part of a property exchange with Williamson County. Since that time, the City of Franklin has maintained the facility, continuing lease arrangements with a U. S. Post Office contractor and the Heritage Foundation. During that time various entities have inquired about using/renovating space in the building to better use this historic building in the heart of downtown Franklin.

In May of 2012, the Board of Mayor and Aldermen authorized the development and implementation of a request for proposal process (RFP) to seek offers for the use of the Five Points building. The RFP was well publicized and included extensive information regarding the building along with opportunities to tour the property. Overall, the RFP was "open" for nearly five weeks from July 12th through August 16th. Attachment A provides a summary and timeline for the Five Points RFP.

At the August 16th deadline, one proposal was received from First Bank. Following a review of the proposal, the Board authorized the City Administrator to work out the terms of a lease proposal with First Bank for consideration by the Board. For consideration before the Board at this time is a Letter of Intent (COF Contract No. 2012-0175) for the lease of the Five Points property with First Bank. The Letter of Intent (LOI) outlines the primary business term for the lease and establishes that a full lease agreement will be executed within 60 days of its approval. While non-binding, the LOI provides First Bank with enough certainty to take the next step in investing in final designs as well as fully engaging in the necessary development processes including working with the State Historic Preservation Office, Franklin Historic Zoning Commission, Board of Zoning Appeals, and the Franklin Municipal Planning Commission.

In addition to the significant financial impact of this lease (described in detail in the following section), the lease provides for the preservation along with restoration of key components to this historic building in downtown Franklin. Through the LOI and subsequent lease, First Bank would commit to maintain all local historic preservation standards and guidelines. In addition, First Bank will comply with



requirements of the State Historic Preservation Office consistent with the City's existing deed requirements.

The LOI also affirms the commitment of First Bank to work with existing tenants, the U. S. Post Office contractor and the Heritage Foundation. The rental rate will be maintained and only adjusted by the same amount as the overall inflationary calculation applied to the overall lease terms with the City. In the agreement, First Bank makes a commitment to preserving the Post Office use at Five Points. In addition to the favorable long-term lease for the current tenant, First Bank further states that it will "use all reasonable and best efforts" to maintain a "post office type tenant" should the existing contractor/sublessee not be retained during the term of the lease.

The LOI outlines an initial lease term of 20 years with an extension of 10 years at First Bank's election and a second 10-year extension upon mutual agreement. At each renewal, First Bank would be required to evaluate the property and make such necessary capital improvements to maintain the facility to the condition following the completion of the renovation described in the agreement. This provides for good long term maintenance of the facility. In addition, the City will reserve the right to review the property and ensure basic maintenance standards are met for the building (interior and exterior), the landscaping and parking lot. If issues of concern are not resolved, the City may make those improvements and recover the costs from the lessee.

Financial Impact/Analysis

There appears to be four areas of financial benefit or "savings" that would result from the extension of a long term lease on the Five Points property. They are: 1) stable or increased lease income; 2) avoidance of capital improvement expenditures; 3) transfer of responsibility for utilities, insurance and ongoing maintenance; and 4) avoidance of rent for record storage and archiving.

Lease Income: Currently, the City receives rent amounts of \$1,000 per month from the Heritage Foundation and \$960 per month from the Post office contractor. The First Bank lease proposal is for a total of \$2,000 per month or \$24,000 per year. This exceeds slightly the rents received under the existing leases. The current leases, however, include utilities as part of the rent; the costs of gas, electric, water, sewer and storm water are paid by the City. The proposed lease will transfer the responsibility for those costs to the lessee. That transfer effectively raises the lease income to be received by the City.

Additionally, the proposed letter of intent includes cost-of-living increases in five year increments. Those adjustments at five year intervals assure that the lease income "keeps up with inflation" and maintains its value in real dollars.

Avoidance of Continuing Property Maintenance: The City is currently responsible for all maintenance on the Five Points building. Because of the age and condition of the heating and cooling system, it is not uncommon to have one or more of our maintenance staff on the premises each week to address tenant concerns. These staff appearances add to our overall cost of operations, as the time spent at Five Points is time lost at City Hall, Police Headquarters or other City buildings. We estimate that the cost of our maintenance effort is in the range of \$10,000 per year, including salaries and benefits.



MEMORANDUM

In addition to staff time, City regularly has to purchase parts and materials to make in-house repairs. Outside contractors have been used to make substantial repairs to the HVAC units that City staff was unable to undertake due to complexity of the problems or knowledge of the antiquated building systems. For example, in 2008 the City spent over \$32,000 with contractors on heating/cooling maintenance. In 2009, the City spent over \$30,000 on storm water pipes, asphalt repairs, and resurfacing of the parking area behind the building.

We estimate conservatively that an average of \$10,000 per year has been expended to vendors such as Lee Plumbing & Heating, M. J. Frick, Don Wood Plumbing, Kerry Hosford Electric, Nashville Machine, etc.

Avoidance of Capital Improvements: Because of the sheer size of the needed improvements, the City has been reluctant to undertake any major renovations due to costs and the current inability to offset costs from rent amounts under the current leases. For example, exterior painting and roof replacement have not been addressed and will need attention in the not too distant future.

Our maintenance staff conservatively estimates at minimum that over \$1,000,000 will be needed to modernize the building, including replacement of the HVAC system and air handling devices, replacement of windows and other energy-savings actions, eventual replacement of the roof, replacement of the elevator to allow movement between floors and meet ADA guidelines, replacement of flooring, renovations to address OSHA and safety concerns, renovation of plumbing, replacement of lighting and electrical systems, etc. It should be noted that First Bank is estimating the value of the basic building improvements referenced in the LOI at a "minimum of \$3 million."

Storage for Records and Archiving: Currently, the City retains permanent records in the basement of the Five Points building. If the building were leased in its entirety, the City would be forced to locate alternative space for record storage. Sites for such storage need to be close to City offices for retrieval purposes, but also be climate controlled to preserve the integrity of the documents. Approximately half of basement area, or 3,500 square feet, is home for these documents. To obtain similar space in a storage site elsewhere would run in excess of \$5 per square foot. We believe the value of maintaining control of the basement area for storage saves the City roughly \$16,000 per year.

Summary

If the City pursues the letter of intent with First Bank, the City will receive cash payments for rent in an amount equal to the current rents under the current leases. However, there is also a substantial cost-avoidance that should be included in what I would call the "implied" rent being proposed. Using a figure of \$1,000,000 as a minimum capital investment needed to bring the building up to Class A office space standards, the annual amortization of such investment would run \$96,000 per year for a 15 year amortization and \$76,000 for a 20 year amortization. If the City were making the investment, we would include in a 15-year bond issue. Also included in my "implied" rent figure are the benefits of a "triple net" lease, in which the lessee pay all utilities, taxes, and insurance for the property, as well as maintenance. Conservative estimates in these categories show an additional annual savings of \$20,000 plus for utilities alone. Maintenance in its current condition would continue to cost the City upwards of \$27,000 per year.



Including the value of the capital investment, the cost deferece of maintenance, and the value of retaining the basement storage area, an “implied” rent of over \$20.00 per square foot for the Five Points building can be calculated. On a comparative basis, the proposed rent of \$23.43 per square foot is roughly equal to the current rate for Class A office space in the Cool Springs sub district (approximately \$23 per square foot), as reported by C.B. Richard Ellis (CBRE) and other professional commercial real estate firms. Compared to retail space rather than office space, the implied rental rate exceeds the rental rates in Cool Springs for all categories other than the mall.

Calculation of actual and implied rental rate

	Annual Impact	per square foot
Rent payments	\$ 24,000.00	\$ 2.99
Avoidance of utilities	\$ 20,542.46	\$ 2.56
Avoidance of insurance	\$ 2,718.72	\$ 0.34
Avoidance of maintenance (labor)	\$ 10,177.44	\$ 1.27
Avoidance of maintenance(supplies)	\$ 5,000.00	\$ 0.62
Avoidance of maintenance(contractors)	\$ 8,500.00	\$ 1.06
Avoidance of maintenance(grounds)	\$ 4,000.00	\$ 0.50
Avoidance of capital investment	\$ 93,113.81	\$ 11.60
Value of free storage	\$ 16,000.00	\$ 1.99
Other (taxes, cost-of-living adjustments)	\$ 4,012.50	\$ 0.50
Total implied rental rent	\$ 188,064.93	\$ 23.43

Options

The Board may approve, amend or decline to enter into the Letter of Intent to Lease the Five Points building.

Recommendation

Approval of the proposed Letter of Intent with First Bank for the Renovation and Lease of the Five Points Building (COF Contract No. 2012-0175) is recommended.

Five Points Scope of Interior and Exterior Improvements

The information below is not an inclusive listing of interior and exterior improvements. This scope is based upon the information provided by the City and previously discussed improvements to the facility and its grounds.

Interior

This information is based upon the findings furnished in the Request for Proposal Appendix E.

1. Abate all asbestos and lead paint issues on the first floor, abatement of the basement will only take place if the area in question will be disturbed during renovations.
2. Replace plumbing fixtures located on the first floor and expand all restrooms to meet ADA requirements.
3. Replace Hot water heating system and ensure its proper operation.
4. Replace the current HVAC system including thermostatic controls.
5. Replace all flooring located on the first floor.
6. Remove storm windows; replace all existing windows with insulated divided light fixed windows of similar style. These windows will include a horizontal bar to give the appearance of the existing double hung windows.
7. Create level entry points at all entrance doors.

Preparation for Interior Demolition.

1. Move the Post Office counter operations to a mobile facility at the rear of the building. Construct a weatherproof ADA ramp to the mobile facility. Run all utilities and required electrical as per code.
2. Construct a facility to house a guard station whose purpose will be to escort post office box holders to and from the owner's box. Post Office boxes must have 24/7 access.

Five Points Scope of Interior and Exterior Improvements

Preparation for Demolition Continued.

3. Arrange temporary power as needed.
4. Construct a lit, secure and weatherproof walkway from the rear exterior to the post office box locations.
5. Post signage and notices required.

Interior Demolition.

1. Remove existing ceiling.
2. Remove antiquated and existing electrical wiring and conduit to the main service location in the basement.
3. Remove existing interior walls.
4. Remove existing plumbing lines and replace.
5. Remove all flooring not addressed at abatement.
6. Remove existing boiler and heating system from the basement.

Interior Construction.

1. Reconstruct Post Office box wall.
2. Run plumbing lines and replace all fixtures.
3. Repair, patch and paint existing wall structure.
4. Construct new walls as per approved plans.
5. Repair, patch and paint existing wall structure.
6. Run Electrical and data lines.
7. Run HVAC supply and returns.
8. Install new flooring.
9. Install new lighting.
10. Install Window Sills.
11. Install Alarms.
12. Create glass entry at vestibule.

Five Points Scope of Interior and Exterior Improvements

Interior Construction continued.

13. Install new ceiling.

Bank TI.

1. Install Bank equipment, furniture and finish as per approved plans.

Exterior.

1. Demolish and replace all handicap ramps as per approved drawings.
2. Demolish and replace all landscaping as per approved drawings.
3. Replace rotted and missing wood trim.
4. Replace all gutters and downspouts.
5. Replace exterior window sills.
6. Replace all exterior doors.
7. Demolish rear parking area, grade, fill and rework islands as per approved drawings.
8. Demolish and replace concrete sidewalks and traffic barriers as per approved drawings.
9. Replace site lighting as per approved drawings.
10. Add canvas awnings as per approved drawings.
11. Remove condensing units as per approved drawings.
12. Remove asphalt and run underground pneumatic tubing as per approved drawings.
13. Add exterior irrigation as per approved drawings.
14. Replace flag pole as per approved drawings.
15. Add water feature as per approved drawings.
16. Construct remote drive thru as per approved drawings.
17. Re-surface, restripe parking lot as per approved drawings.
18. Repaint building as per approved drawings.
19. Add exterior benches as per approved drawings.

Five Points Scope of Interior and Exterior Improvements

20. Construct all exterior entrances and walk ways to meet ADA codes.
21. Add Exterior signage as per approved drawings.
22. Rework front entrance as per approved drawings.

Contingency Planning.

With limited building history and drawings, unexpected complications during renovations of a building of this age are anticipated. FirstBank will work with the City of Franklin regarding unanticipated issues and remedy these items quickly.

EXHIBIT C

Items to be considered during renovation of the Five Points Post Office will include the following;

- Use of low water or flushless toilet facilities, hand dryers vs. paper products.
- Installation of LED lighting throughout the first floor.
- Replacement of the HVAC system with a much higher efficiency and energy management controls.
- Use of solar panels for water heating purposes.
- Lower wattage, high efficiency parking lot lighting.
- Wireless thermostatic control.
- Installation of economizing dampers for "free cooling".
- Wireless lighting sensors which maintain candlepower while incorporating natural light.
- Double pane windows which match the existing windows.
- Decreased diameter and insulated duct work.

Attachment A:

Five Point Request for Proposal
Summary and Timeline

Five Points RFP timeline and summary

Below is a timeline of efforts to publicize the City's interest in soliciting proposals for lease of the Five Points property and the Request for Proposal process:

- Article in *Franklin Review Appeal*: May 23, 2012
- Notice to Proposers published in *Williamson Herald*: July 12, 2012
- RFP posted on City's website: July 16, 2012
- Williamson County Association of Realtors notified of RFP: July 23, 2012
- Pre-submittal conference no. 1: July 24, 2012, 10:00 a.m. Central Time
- Subject discussed by City Administrator at BOMA meeting: July 24, 2012
- Williamson County / Franklin Chamber of Commerce notified of RFP: July 25, 2012
- Brentwood / Cool Springs Chamber of Commerce notified of RFP: July 25, 2012
- On July 25, 2012, Assistant City Administrator Vernon Gerth sent an e-mail to the Design Professionals/Developer Group that announced the City's interest in leasing the Five Points property. The e-mail included the solicitation package and web site. This group e-mail reaches approximately 125 development professionals.
- On July 26, 2012, Planning and Sustainability Director Catherine Powers made an announcement at the beginning of the monthly Planning Commission meeting regarding the Five Points RFP.
- Pre-submittal conference no. 2: August 2, 2012, 2:00 p.m. Central Time
- *Tennessean* article "Former Five Points post office building seeks new tenant": August 3, 2012
- *Tennessean* Williamson County Briefs "Franklin seeks tenant for former post office site": August 5, 2012
- Pre-submittal appointment: no sooner than July 14 but by August 7, 2012
- Proposals submittal deadline and scheduled opening: August 16, 2012, 2:00 p.m. Central Time

Attachment B:

Letter of Intent – First Bank Lease of 510
Columbia Avenue
(Five Points Post Office)

LETTER OF INTENT

November 26, 2012

City of Franklin
Attn: Eric Stuckey
City Administrator
Suite 107, City Hall
109 Third Avenue South
Franklin, Tennessee 37064

Re: Proposed First Bank Lease of 510 Columbia Ave., Franklin, Tennessee 37064

Dear Mr. Stuckey:

First Bank, a Tennessee state banking corporation ("First Bank") responded to a Request for Proposal submitted by the City of Franklin (the "City") for Lease of the Real Property and Premises at 510 Columbia Avenue, Franklin, Tennessee ("RFP"). First Bank's response to the RFP was dated August 15, 2012. Following the response from First Bank, the Board of Mayor and Aldermen of the City (the "Board") authorized City staff to pursue discussions with First Bank in an attempt to formalize a proposed lease to be submitted to the Board for its consideration. As part of the ongoing dialogue with the City, First Bank and the City have determined to set forth in this non-binding letter certain of the material terms that would form the basis for preparation of the draft of a proposed lease (the "Lease") between First Bank and the City. Please be advised that this letter is not contractually binding on the parties and is only an expression of the basic terms and conditions to be incorporated in a formal written agreement. The parties shall not be contractually bound unless and until they execute a final Lease, which must be in form and content satisfactory to each party and its counsel in their sole discretion, and which must be approved by a vote of the Board. Neither party may rely on this letter as creating any legal obligation of any kind.

1. LEASED PREMISES. The property to be leased by the City to First Bank shall consist of the real property, building, parking areas, and fixtures located at 510 Columbia Avenue, Franklin, Tennessee 37064 generally depicted on Exhibit A attached hereto, excluding in all respects the lower level basement (the "Basement") within the building depicted on Exhibit A (herein the property leased to First Bank shall be known as the "Leased Premises"). Notwithstanding the fact that the Basement is not contained within the Leased Premises, First Bank shall be responsible to maintain the HVAC system and mechanical systems related to the operation and use of the Leased Premises and First Bank shall be granted access to the Basement for such purposes. The Leased Premises are leased to First Bank in its "AS IS" condition.

2. USE. Excluding such portion of the Leased Premises as will be occupied by the Existing Tenants, First Bank shall use the Leased Premises solely as a full-service commercial bank branch facility, with attendant services thereto.

3. EXISTING TENANTS. The term "Existing Tenants" shall mean: (a) Kathy A. Russell d/b/a Post Office Contractor (herein the "U.S. Post Office Contractor"), and (b) The Heritage Foundation of Franklin and Williamson County, Tennessee (the "Heritage Foundation"). First Bank shall offer to extend a sublease to the U.S. Post Office Contractor for the same term (including all renewal terms) as extended by the City to First Bank hereunder for the purpose of maintaining a United States Post Office within the Leased Premises, with no increase in rent over the amount currently paid (this sublease may not be assigned unless the assignment is from the U.S. Post Office Contractor to the United States Postal Service or to any other contractor who operates a facility for the delivery and receipt of U.S. Mail in substantially the same manner as operated by the U.S. Post Office Contractor). Should First Bank not be successful in retaining the current U.S. Post Office Contractor as a sublessor, First Bank shall use all reasonable and best efforts to sublease to and maintain a post office type tenant. First Bank shall offer to extend a sublease to the Heritage Foundation at no rental increase from the rent currently paid by the Heritage Foundation for the purpose of maintaining the general business offices of the Heritage Foundation. Alternatively, First Bank, at the election of the Heritage Foundation, shall assist the Heritage Foundation in relocating to other space satisfactory to the Heritage Foundation.

4. TRIPLE NET LEASE PROVISIONS. The Lease shall be a "triple net lease." Under the terms of the Lease, First Bank shall be responsible for all maintenance, taxes, utilities, and insurance required in connection with the Leased Premises. First Bank shall also maintain comprehensive public liability insurance in such amounts as reasonably acceptable to City. The City shall be named an additional loss payee on all hazard insurance maintained by First Bank on the Leased Premises.

5. TERM. The initial term of the Lease shall be twenty (20) years. At the expiration of the initial term, First Bank, at its election shall be entitled to extend the Lease for one ten (10) year period, provided that, First Bank makes such capital improvements to the Leased Premises as to cause the Leased Premises to be in substantially the same condition as the condition that exists immediately following the renovations made pursuant to Section 7 herein. At the expiration of the first extended term, the Lease may be extended for an additional ten (10) year term if such extension is mutually agreeable to both City and First Bank. Additionally, at any time after the completion of the capital improvements and subject to the terms of the Lease, First Bank shall have the right to terminate the Lease on sixty (60) days prior written notice.

6. RENT. The annual rent for the Leased Premises shall be \$24,000.00, with no increase for the first five (5) years, payable in equal monthly installments, which rent payment shall commence once a building permit is issued in favor of First Bank for the contemplated renovations. After the first (5) years, the rent shall increase in five (5) year increments based on the Core CPI based on adjustments to the Core CPI for each preceding five (5) year period.

7. CAPITAL IMPROVEMENTS. First Bank shall make the capital improvements to the Leased Premises described on the capital improvements schedule attached hereto as Exhibit B, expected to be in an aggregate amount of \$3,000,000. A list of all capital improvements to be made by First Bank shall be submitted to the City prior to the initiation of any work, along with all material work plans. All improvements to the Leased Premises shall be

done in a workmanlike manner and shall comply with all City regulations, codes, and ordinances, including, without limitation, approval from the City's Historic Zoning Commission, Board of Zoning Appeals, and Planning Commission, as applicable. Prior to the initiation of any work, First Bank shall obtain such permits as and when required by City codes. All improvements to the Leased Premises shall conform to the requirements imposed by the covenants contained in the Quitclaim Deed of record in Book 1014, page 818, Register's Office for Williamson County, Tennessee and in the Special Warranty Deed of record in Book 4387, page 320, Register's Office for Williamson County, Tennessee. All improvements shall also comply with the State Historic Preservation Office requirements. City shall have the right to inspect the Leased Premises at any time, with reasonable notice to First Bank.

8. GOVERNMENTAL COMPLIANCE. During the term of the Lease, First Bank shall maintain compliance with all laws and regulations applicable to its renovation, use, and occupancy of the Leased Premises. The Leased Premises shall be improved in such a manner as to comply with the American with Disabilities Act.

9. SUSTAINABLE PRACTICES. First Bank agrees to use its best efforts to utilize sustainable practices for all improvements as provided by the City and to the extent practical considering both requirements of the State Historic Preservation Office and a reasonable cost/benefit analysis. City and First Bank agree that the sustainable practices referenced herein shall be satisfied upon compliance by First Bank with those items listed on Exhibit C.

10. LANDSCAPING AND SIGNAGE. First Bank shall obtain approval from the City, as required by applicable ordinance, for all landscaping and signage. First Bank intends for all landscaping and signage to compliment the community character of the area in which the Leased Premises are located. First Bank shall maintain, to City standards, all of Leased Premises, including, but not limited to, the parking area, all landscaped area. The City reserves the right, after notice, to remedy any delinquent maintenance responsibility of First Bank and to seek full reimbursement from First Bank. This in no way limits the City's rights to recover by other means or methods provided by law.

11. WASTE. First Bank shall commit no waste at the Leased Premises. First Bank shall maintain the Leased Premises in good working order and repair. At the termination of the Lease, First Bank shall return the Leased Premises to the City in as good a condition or better from the date of occupation of the premises, reasonable wear and tear excepted.

12. SECURITY. First Bank shall be responsible for all security and security systems applicable to the Leased Premises.

13. ENVIRONMENTAL. First Bank shall comply with all applicable environmental laws and regulations in its renovations to and use of the Leased Premises.

14. HOLD HARMLESS. First Bank shall indemnify the City and hold the City harmless from any liability arising out of the renovations to and use of the Leased Premises during the term of the Lease.

15. CONDEMNATION. First Bank shall have the right to terminate the Lease in the event that condemnation results in a material adverse change to First Bank's use of the Leased Premises.

16. CONSTRUCTION OF IMPROVEMENTS. The Lease shall provide that during construction of renovations and improvements to the Leased Premises, the City shall permit First Bank to locate a modular, non-permanent modular banking facility on the Leased Premises for use by customers of First Bank.

17. ASSIGNABILITY. The Lease shall provide that First Bank may not assign its rights and privileges under the Lease without the prior written consent of the City; provided, however, the consent of the City shall not be required in the following circumstances: (a) First Bank merges or consolidates with another financial institution and such financial institution as the surviving entity: (i) assumes all obligations of First Bank to the City under the Lease, and (ii) agrees in writing to maintain full-service banking operations at the Leased Premises in substantially the same manner as maintained by First Bank, or (b) First Bank assigns its rights under the Lease to another financial institution that: (i) assumes all obligations of First Bank to City under the Lease, and (ii) agrees in writing to maintain full-service banking operations at the Leased Premises in substantially the same manner as maintained by First Bank.

18. DEFAULTS. The Lease shall contain default provisions standard to similarly situated leases. The Lease shall also contain a default provision allowing for immediate termination of the Lease by the City in the event First Bank (while the tenant) has its banking operations closed by order of the FDIC or any state or federal banking agency having applicable jurisdiction over First Bank.

19. CONTINGENCIES. Within sixty (60) days after the approval by the City of this Letter of Intent, the City and First Bank shall use their best efforts to enter into a Lease. Performance under the Lease shall be subject to: (a) the execution of a mutually satisfactory lease between First Bank and the City; (b) approval of the Lease by the Board; (c) approval by the City and its various agencies of the plans and specifications submitted by First Bank for the renovations, signage, and landscaping, (d) the execution by First Bank and each of the Heritage Foundation and the U.S. Post Office Contractor of mutually satisfactory subleases; provided that if the Heritage Foundation chooses to relocate, then the requirement for a mutually satisfactory sublease with the Heritage Foundation shall not be applicable; (e) prior to the execution of a mutually satisfactory lease, First Bank does not uncover any fact or circumstance that materially and adversely affects its intended use of the Leased Premises, (f) approval from the City and any other local, state, or federal agency having applicable jurisdiction of transportation plans related to the access to the rear of the Leased Premises and the installation of parking and drive-thru banking facilities, and (g) the determination by First Bank that the requirements of the City and SHPO related to the construction, renovations, improvements, and use of the Leased Premises are satisfactory to First Bank.

20. BASEMENT. The Basement, which is not part of the Leased Premises, shall be used by the City for storage and shall not be leased by the City to others except with the prior written consent of First Bank.

IN WITNESS WHEREOF, the parties have executed this Letter of Intent as of this
_____ day of _____, 2012.

FIRST BANK:

FIRST BANK

By: _____

Title: _____

CITY OF FRANKLIN:

CITY OF FRANKLIN

By: _____

Title: _____

EXHIBIT A

