



Central Mississippi Planning and Development District

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October 3, 2013

BY HAND DELIVERY

Mr. Willie J. Mott, CCIM
Interim Executive Director
Jackson Redevelopment Authority
Richard J. Porter Building
218 South President Street
Jackson, MS 39215-1235

Re: Amended and Restated Lease Agreement, dated as of January 27, 2010, between Jackson Redevelopment Authority and Farish Street Group, LLC – Notice of Termination of Lease

Dear Mr. Mott:

According to its guidelines, the Farish Street Historic District Loan Program (the "FSLP"), administered by the Mississippi Development Authority ("MDA"), is designed to make grants available through the Central Mississippi Planning and Development District ("CMPDD") for the purpose of making low-interest loans to persons or entities to develop certain property in the Farish Street Historic District (the "District"). By this letter and its other actions in this matter, CMPDD is therefore acting as an agent for MDA and managing its duties and responsibilities related to the FSLP.

As you are aware, CMPDD made a series of six loans between February, 2008 and September, 2012 in the total original principal amount of \$5,481,376.00 (the "CMPDD Loans"), the proceeds of which were either directly borrowed or assumed by Farish Street Group, LLC ("FSG") for the redevelopment and improvement of certain properties located in the District (the "Subject Properties"). FSG's interest in the Subject Properties arises under an Amended and Restated Lease Agreement, dated as of January 27, 2010, between Jackson Redevelopment Authority ("JRA") and FSG (the "JRA-FSG Lease"). The CMPDD Loans are secured by six separate Leasehold Deeds of Trust and Security Agreements granted by FSG for the benefit of CMPDD, each of which covers all or part of the Subject Properties (the "Leasehold Deeds of Trust"). JRA consented to the grant of each of the Leasehold Deeds of Trust by six separate Consent Agreements (the "Consent Agreements"). It was a condition precedent to CMPDD

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funding the CMPDD Loans that JRA agree to certain obligations as to the repayment of the CMPDD Loans and the Subject Properties which are also contained in each of the Consent Agreements.

You are also aware that JRA, CMPDD and MDA have, for some time now, been in ongoing discussions as to the status of completion of the Farish Street project by FSG, including possible options to bring in other development groups, the preservation of tax credits, etc. During these discussions, in which CMPDD engaged on a good faith basis, there was never any indication that JRA would take any action that might adversely affect CMPDD or its collateral security for the CMPDD Loans arising under the Leasehold Deeds of Trust. In fact, in light of these ongoing discussions, CMPDD has been under just the opposite impression—i.e., that CMPDD, MDA and JRA were working together to arrive at a constructive solution that would put all of the parties in the best possible position in accomplishing their joint goal of developing the District, while also protecting their respective interests.

With this background, you can certainly understand how surprised CMPDD was to learn that JRA has recently sent to FSG a purported "Notice of Termination of Lease," dated September 25, 2013 (the "Termination Notice"). The Termination Notice purports to terminate FSG's leasehold interest in the Subject Properties, as well as other properties subject to the JRA-FSG Lease. Please note that this letter and our request below for JRA to withdraw the Termination Notice do not extend to real property that may have also been covered by the Termination Notice other than the Subject Properties.

In light of the purported Termination Notice, we call your attention to Section 17.7 of the JRA-FSG Lease (page 23), which provides:

Landlord [JRA] shall enter into reasonable and appropriate agreements [which would include the Consent Agreements] with parties providing financing for improvements to the Premises [in this case, CMPDD] pursuant to which Tenant [FSG] and/or one or more Subtenants shall be permitted to pledge rights under this lease agreement or any Sublease as security for the repayment of funds used to defray costs of improvements to the Premises, provided that no such agreement shall prevent Landlord's enforcement of all terms and conditions set forth in this lease agreement after reasonable notice to any such financing party [CMPDD] and a reasonable period of time in which such financing party shall have had an opportunity to cure any defaults under this lease agreement.

The express terms of the JRA-FSG Lease quoted above provide that JRA may only enforce the terms and conditions of the JRA-FSG Lease "after reasonable notice to any such financing party [CMPDD] and a reasonable period of time in which such financing party shall have had an opportunity to cure any defaults under this lease agreement". JRA has not provided CMPDD with "reasonable notice" of its decision to terminate the JRA-FSG Lease as to the Subject Property, nor has JRA provided CMPDD with a reasonable period of time to cure defaults under the JRA-FSG Lease, and JRA cannot terminate the JRA-FSG Lease without having done so. To do otherwise would have the effect of eliminating CMPDD's collateral and

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other rights under the Leasehold Deeds of Trust and the Consent Agreements without giving CMPDD the opportunity to protect its collateral and its other rights. Based upon the tenor of our past discussions, we do not believe that it is JRA's intention to eliminate CMPDD's collateral and other rights, and, regardless of its intention, JRA is not able to do so without providing CMPDD with reasonable notice and an opportunity to cure the defaults under the JRA-FSG Lease and to protect its rights as described above.

Because JRA's purported Termination Notice was sent in clear contravention of Section 17.7 of the FSG/JRA Lease, CMPDD requests that JRA immediately withdraw the Termination Notice as to the Subject Properties until CMPDD is provided reasonable notice and opportunity to cure any defaults under the JRA-FSG Lease, or JRA is allowed to exercise its rights under the Leasehold Deeds of Trust and the Consent Agreements to protect its security for the CMPDD Loans. Until these provisions are satisfied, the JRA-FSG Lease, the Leasehold Deeds of Trust and the Consent Agreements must remain in effect as to the Subject Properties. In the meantime, we believe the best course of action for all of the parties is to move forward with transparent discussions aimed at getting the Farish Street project completed in a manner that achieves everyone's goals.

Thank you for your attention to and cooperation as to these matters.



F. Clarke Holmes, Chief Executive Officer

Cc: Ms. Kathy Gelston,
Mississippi Development Authority
(By hand delivery)