UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2004

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 001-32389

NTS REALTY HOLDINGS LIMITED PARTNERSHIP

(Exact name of registrant as specified in its charter)

Delaware *(State or other jurisdiction of incorporation or organization)*	41-2111139 *(I.R.S. Employer Identification No.)*
10172 Linn Station Road Louisville, Kentucky *(Address of principal executive offices)*	40223 *(Zip Code)*

(502) 426-4800
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Limited Partnership Units *(Title of each class)*	American Stock Exchange *(Name of each exchange on which registered)*

Securities registered pursuant to Section 12(g) of the Act:

None
(Title of class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether registrant is an accelerated filer (as defined by Rule 12b-2 of the Securities Exchange Act of 1934). Yes [ ] No [X]

The American Stock Exchange began to list the registrant's limited partnership units on December 29, 2004. Therefore, as of June 30, 2004, the aggregate market value of the registrant's limited partnership units held by non-affiliates of the registrant was $0. As of March 1, 2005, there were 11,381,608 limited partnership units outstanding.

Documents Incorporated by Reference: Portions of the registrant's proxy statement for the annual meeting of limited partners to be held in 2005 are incorporated by reference into Part III, Items 10, 11, 12, 13 and 14.

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INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements included in this Form 10-K, particularly those included in Part I, Items 1 and 2 – Business and Properties, and Part II, Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), may be considered "forward-looking statements" because the statements relate to matters which have not yet occurred. For example, phrases such as "we anticipate," "believe" or "expect" indicate that it is possible that the event anticipated, believed or expected may not occur. If these events do not occur, the result which we expected also may, or may not, occur in a different manner, which may be more or less favorable to us. We do not undertake any obligation to update these forward-looking statements.

Any forward-looking statements included in MD&A, or elsewhere in this report, reflect our managing general partner's best judgment based on known factors, but involve risks and uncertainties. Actual results could differ materially from those anticipated in any forward-looking statements as a result of a number of factors, including but not limited to those described in our filings with the Securities and Exchange Commission, particularly our registration statement on Form S-4 which became effective October 27, 2004. Any forward-looking information provided by us pursuant to the safe harbor established by the Private Securities Litigation Reform Act of 1995 should be evaluated in the context of these factors.

Our Form 10-K for the year ended December 31, 2004 includes predecessor financial statements and information for the period from January 1 to December 27, 2004 and for the years ended December 31, 2003 and 2002. The information for the period ended December 27, 2004 is the equivalent to a full calendar year as our predecessors' operations were substantially complete for the year 2004 as of that date and as reported herein.

PART I

Item 1 – Business

General

NTS Realty Holdings Limited Partnership ("NTS Realty," "we," "us" or "our") was organized as a limited partnership in the State of Delaware in 2003. The Partnerships were formed between 1982 and 1987 to invest in fixed portfolios of commercial and multifamily properties. Our registration statement on Form S-4 was made effective by the Securities and Exchange Commission ("SEC") on October 27, 2004 with respect to a proposed merger of NTS-Properties III; NTS-Properties IV; NTS-Properties V, a Maryland limited partnership; NTS-Properties VI, a Maryland limited partnership; and NTS-Properties VII, Ltd. (the "Partnerships") registered under the Securities Exchange Act of 1934, along with other real estate entities affiliated with their general partners, specifically Blankenbaker Business Center 1A and the NTS Private Group's assets and liabilities. The merger was completed on December 28, 2004 after a majority of each Partnership's limited partners voted for the merger. The Partnerships and Blankenbaker Business Center 1A were terminated by the merger and ceased to exist. Concurrent with the merger, ORIG, LLC, a Kentucky limited liability company ("ORIG"), affiliated with the Partnerships' general partners, contributed substantially all of its assets and liabilities to NTS Realty, including the NTS Private Group properties. The merger was part of a court approved settlement of class action litigation involving the Partnerships. Prior to the merger and contribution, we had no operations and a limited amount of assets.

Following the merger and contribution and as of December 31, 2004, we own thirty-two properties, comprised of: nine multifamily properties; nineteen office and business centers; three retail properties; and one ground lease. The properties are located in and around Louisville (22) and Lexington (3), Kentucky; Orlando (2) and Fort Lauderdale (3), Florida; Indianapolis (1), Indiana and Atlanta (1), Georgia. Our office and business centers aggregate approximately 1.7 million square feet. We own multifamily properties containing approximately 1,350 units and retail properties containing approximately 210,000 square feet of space, as well as one ground lease associated with a 120-space parking lot attached to one of our properties.

On December 29, 2004, the American Stock Exchange began to list our limited partnership units (the "Units") for trading. Our Units currently are listed on the American Stock Exchange under the trading symbol "NLP."

NTS Realty Capital, Inc. ("NTS Realty Capital") and NTS Realty Partners, LLC serve as our general partners. Our partnership agreement vests principal management discretion in our managing general partner, NTS Realty Capital, which has the exclusive authority to oversee our business and affairs, subject only to the restrictions in our certificate of limited partnership and partnership agreement. NTS Realty Capital has a five-member board of directors, the majority of whom must be considered to be "independent directors" under the standards promulgated by the American Stock Exchange. Our limited partners have the power to elect these directors on an annual basis.

We do not have any employees. We have entered into a management agreement with NTS Development Company ("NTS Development"), an affiliate of our general partners, whereby NTS Development oversees and manages the day-to-day operations of our properties. The initial term of the management agreement is one year, provided that NTS Realty Capital is permitted to terminate the agreement on sixty days' notice. Under this agreement, NTS Development is responsible for managing each of our properties and in return will receive, in most cases, an annual fee equal to 5% of all gross revenues generated by multifamily properties and 6% of all gross revenues generated by commercial properties. However, we will continue to pay NTS Development a fee equal to 5% of all gross revenues generated by the three properties we acquired in the merger from NTS-Properties III. NTS Development's management fee is paid monthly. NTS Development is also reimbursed for its direct out-of-pocket expenses incurred in operating our properties, including the cost of any goods or services obtained on our behalf from unaffiliated third parties and the salaries or wages of all property management personnel, excluding the chairman, president and chief executive officer of NTS Realty Capital.

Our executive offices are located at 10172 Linn Station Road, Suite 200, Louisville, Kentucky 40223, and our phone number is (502) 426-4800.

Business and Investment Objectives and Operating Strategies

Since our formation, our business and investment objectives have been to:

- generate cash flow for distribution;
- obtain long-term capital gain on the sale of any properties;
- make new investments in properties or joint ventures, including by, directly or indirectly, developing new properties; and
- preserve and protect the limited partners' capital.

The board of directors of NTS Realty Capital, in the board's sole discretion, may change these investment objectives as it deems appropriate and in our best interests. Prior to changing any of the investment objectives, the board will consider, among other factors, expectations, changing market trends, management expertise and ability and the relative risks and rewards associated with any change.

We intend to reach our business and investment objectives through our acquisition and operating strategies. Our acquisition and operating strategies are to:

- maintain a portfolio which is diversified by property type and to some degree by geographical location;
- achieve and maintain high occupancy and increase rental rates through: (1) efficient leasing strategies, and (2) providing quality maintenance and services to tenants;
- control operating expenses through operating efficiencies and economies of scale;
- attract and retain high quality tenants;
- invest in properties that we believe offer significant growth opportunity; and
- emphasize regular repair and capital improvement programs to enhance the properties' competitive advantages in their respective markets.

Competition

We compete with other entities both to locate suitable properties for acquisition, to locate purchasers for our properties and to locate tenants to rent space at each of our properties. Although our business is competitive, it is not seasonal. While the markets in which we compete are highly fragmented with no dominant competitors, we face substantial competition. This competition is generally for the retention of existing tenants at lease expiration or for new tenants when vacancies occur. There are numerous other similar types of properties located in close proximity to each of our properties. We maintain the suitability and competitiveness of our properties primarily on the basis of effective rents, amenities and services provided to tenants. The amount of leasable space available in any market could have a material adverse effect on our ability to rent space and on the rents charged. Competition to acquire existing properties from institutional investors and other publicly traded real estate limited partnerships and real estate investment trusts has increased substantially in the past several years. In many of our markets, institutional investors and owners and developers of properties compete vigorously to acquire, develop and lease space. Many of these competitors have substantially more resources than us.

Competitive Advantages

We believe that we have competitive advantages that will enable us to be selective with respect to additional real estate investment opportunities. Our competitive advantages include:

- substantial local market expertise where we own properties;
- long standing relationships with tenants, real estate brokers and institutional and other owners of real estate in our markets; and

- fully integrated real estate operations that allow us to respond quickly to acquisition opportunities.

Distribution Policy

We pay distributions if and when authorized by our managing general partner. We are required to pay distributions on a quarterly basis, commencing in the first quarter of 2005, equal to sixty-five percent (65%) of our "net cash flow from operations" as this term is defined in regulations promulgated by the Treasury Department under the Internal Revenue Code of 1986, as amended; provided that if a law is enacted or existing law is modified or interpreted in a manner that subjects us to taxation as a corporation or otherwise subjects us to entity level taxation for federal, state or local income tax purposes, we will adjust the amount distributed to reflect our obligation to pay tax. Any distribution other than a distribution with respect to the final quarter of a calendar year shall be made no later than forty-five (45) days after the last day of such quarter based on our estimate of "net cash flow from operations" for the year. Any distribution with respect to the final quarter of a calendar year shall be made no later than ninety (90) days after the last day of such quarter based on actual "net cash flow from operations" for the year, adjusted for any excess or insufficient distributions made with respect to the first three quarters of the calendar year. For these purposes, "net cash flow from operations" means taxable income or loss, increased by:

- tax-exempt interest;
- depreciation;
- amortization;
- cost recovery allowances; and
- other noncash charges deducted in determining taxable income or loss, and decreased by:
  - principal payments on indebtedness;
  - property replacement or reserves actually established;
  - capital expenditures when made other than from reserves or from borrowings, the proceeds of which are not included in operating cash flow; and
  - any other cash expenditures not deducted in determining taxable income or loss.

As noted above, "net cash flow from operations" is reduced by the amount of reserves as determined by us each quarter. NTS Realty Capital will establish these reserves for, among other things, working capital or capital improvement needs. Therefore, there is no assurance that we will have net cash flow from operations from which to pay distributions in the future. For example, our partnership agreement permits our managing general partner to reinvest sales or refinancing proceeds in new and existing properties or to create reserves to fund future capital expenditures. Because net cash flow from operations is calculated after reinvesting sales or refinancing proceeds or establishing reserves, we may not have any net cash flow from operations from which to pay distributions.

Investment and Financing Policies

We will consider the acquisition of additional multifamily properties, retail properties, office buildings and business centers from time to time, with our primary emphasis on multifamily and retail properties. These properties may be located anywhere within the continental United States; however, we will continue to focus on the Midwest and Southeast portions of the United States. We will evaluate all new real estate investment opportunities based on a range of factors including, but not limited to: (1) rental levels under existing leases; (2) financial strength of tenants; (3) levels of expense required to maintain operating services and routine building maintenance at competitive levels; (4) levels of capital expenditure required to maintain the capital components of the property in good working order and in conformity with building codes, health, safety and environmental standards. We also plan not to acquire any new properties at a capitalization rate less than five percent (5%). Any properties we acquire in the future would be managed and financed in the same manner as the properties that we acquired in the merger, and we will continue to enforce our policy of borrowing no more than seventy percent (70%) of the sum of: (a) the appraised value of our fully-constructed properties and (b) the appraised value of our properties in the development stage as if those properties were completed and ninety-five percent (95%) leased.

In addition to the foregoing, we may engage in transactions structured as “like kind exchanges” of property to obtain favorable tax treatment under Section 1031 of the Internal Revenue Code. If we are able to structure an exchange of properties as a “like kind exchange,” then any gain we realize from the exchange would not be recognized for federal income tax purposes. The test for determining whether exchanged properties are of “like kind” is whether the properties are of the same nature or character.

Other Policies

We must obtain the approval of the majority of NTS Realty Capital’s independent directors before we may enter into a contract or a transaction with either of our general partners or their respective affiliates. In addition, we are prohibited from:

- acquiring or leasing any properties from, or selling any properties to, either of our general partners or their respective affiliates;
- leasing more than fifteen percent (15%) of any property to our general partners or their affiliates; provided further, that any lease that we enter into with our general partners or their affiliates must be on terms and conditions, and at a rental value, no less favorable to us than those which have been determined by arms’ length negotiations with an unaffiliated third party;
- making any loans to our general partners or their affiliates;
- acquiring any properties in exchange for Units;
- paying any insurance brokerage fee to, or obtaining an insurance policy from, our general partners or their affiliates; and
- commingling our funds with funds not belonging to us.

Change in Policies

NTS Realty Capital, through its board of directors, will determine our distribution, investment, financing and other policies. The board reviews these policies at least annually to determine whether they are being followed and if they are in the best interests of our limited partners. The board may revise or amend these policies at any time without a vote of the limited partners.

Working Capital Practices

Information about our working capital practices is included in Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7.

Conflicts of Interest

Each of our general partners is controlled directly or indirectly by Mr. J.D. Nichols. Mr. Nichols beneficially owns approximately 56% of our Units. Other entities controlled directly or indirectly by Mr. Nichols have made and may continue to make investments in properties similar to those that we acquired in the merger or contribution. In addition, affiliates of our general partners currently own vacant lots located adjacent to Blankenbaker Business Centers 1A and 1B and Outlets Mall. These affiliates may acquire additional properties in the future which are located adjacent to properties that we acquired in the merger or contribution.

Environmental Matters

We believe that our portfolio of properties complies in all material respects with all federal, state and local environmental laws, ordinances and regulations regarding hazardous or toxic substances. During approximately the last ten years, independent environmental consultants have conducted Phase I or similar environmental site assessments on a majority of the properties that we acquired in the merger. Site assessments are intended to discover and evaluate information regarding the environmental condition of the surveyed property and surrounding properties. These assessments may not, however, have revealed all environmental conditions, liabilities or compliance concerns.

Access to Company Information

We electronically file our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports with the Securities and Exchange Commission (the "SEC"). The public may read and copy any of the reports that are filed with the SEC at the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at (800)-SEC-0330. The SEC maintains an Internet site at www.sec.gov that contains reports, proxy and information statements and other information regarding issuers that file electronically.

We make available, free of charge, through our website, and by responding to requests addressed to investor relations department, the annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports. These reports are available as soon as reasonably practical after such material is electronically filed or furnished to the SEC. Our website address is www.ntsdevelopment.com. The information contained on our website, or on other websites linked to our website, is not part of this document.

Item 2 – Properties

General

As a result of the merger of the Partnerships with and into us and ORIG's contribution of substantially all of its assets and liabilities, we own fee simple title to nineteen office buildings and business centers, nine multifamily properties, three retail properties and one ground lease. Set forth below is a description of each property

Office Buildings:

- NTS Center, which was constructed in 1977, is an office complex with approximately 116,200 net rentable square feet located in Louisville, Kentucky. As of December 31, 2004, there were seven tenants leasing office space aggregating approximately 86,600 square feet. NTS Center's tenants are professional service entities, principally in real estate and grocery chain management. Two of these tenants individually lease more than 10% of NTS Center's rentable area. NTS Center was 75% occupied as of December 31, 2004.

- Plainview Center, which was constructed in 1983, is an office complex with approximately 96,100 net rentable square feet located in Louisville, Kentucky. As of December 31, 2004, there were nine tenants leasing office space aggregating approximately 79,600 square feet. The tenants are professional service entities, principally in healthcare and victim notification services. Two of these tenants individually lease more than 10% of Plainview Center's net rentable area. Plainview Center was 83% occupied as of December 31, 2004.

- Plainview Point Office Center Phases I and II, which were constructed in 1983, is an office center with approximately 57,300 net rentable square feet in Louisville, Kentucky. As of December 31, 2004, there were six tenants leasing office space aggregating approximately 37,800 square feet. The tenants are professional service entities, including a business school and an insurance company. One of these tenants leases more than 10% of rentable area at Plainview Point Office Center Phases I and II. Plainview Point Office Center Phases I and II were 66% occupied as of December 31, 2004.

- Plainview Point Office Center Phase III, which was constructed in 1987, is an office center with approximately 61,700 net rentable square feet in Louisville, Kentucky. As of December 31, 2004, there were eleven tenants leasing office space aggregating approximately 56,300 square feet. The tenants are professional service entities, principally involved in insurance claim processing, social security program management and consulting services. Three of these tenants individually lease more than 10% of Plainview Point Office Center Phase III. Plainview Point Office Center Phase III was 91% occupied as of December 31, 2004.

- Anthem Office Center, which was constructed in 1995, is an office building with approximately 84,700 net rentable square feet in Louisville, Kentucky. As of December 31, 2004, one tenant leases office space aggregating all 84,700 square feet. The tenant is a professional service entity in the insurance industry. Anthem Office Center was 100% occupied as of December 31, 2004.

- Atrium Center, which was constructed in 1984, is an office center with approximately 104,200 net rentable square feet in Louisville, Kentucky. As of December 31, 2004, there were eleven tenants leasing office space aggregating approximately 69,700 square feet. The tenants are professional service entities, principally involved in video and media monitoring services and educational services. Two of these tenants individually lease more than 10% of Atrium Center's net rentable area. Atrium Center was 67% occupied as of December 31, 2004.

- Springs Medical Office Center, which was constructed in 1988, is a medical office complex with approximately 97,700 net rentable square feet in Louisville, Kentucky. As of December 31, 2004, there were nineteen tenants leasing office space aggregating approximately 87,100 square feet. The tenants are professional service entities, principally involving physicians and medical services. Three of these tenants individually lease more than 10% of Springs Medical Office Center's net rentable area. Springs Medical Office Center was 89% occupied as of December 31, 2004.

- Springs Office Center, which was constructed in 1990, is an office center with approximately 125,300 net rentable square feet in Louisville, Kentucky. As of December 31, 2004, there were eleven tenants leasing office space aggregating approximately 120,100 square feet. The tenants are professional service entities, principally in food service purchasing and insurance. Two of these tenants individually lease more than 10% of Springs Office Center's net rentable area. Springs Office Center was 96% occupied as of December 31, 2004.

- Sears Office Building, which was constructed in 1987, is an office building with approximately 66,900 net rentable square feet in Louisville, Kentucky. As of December 31, 2004, one tenant leases office space aggregating all 66,900 square feet. The tenant is a professional service entity in the collection call center industry. Sears Office Building was 100% occupied as of December 31, 2004.

Business Centers. The business center properties are a combination of office and warehouse space including bulk warehouse distribution facilities. The office component is generally 40% or less of the square footage, with the warehouse portion being unfinished and used for storage, distribution or light assembly. The following is a brief description of each of these business center properties:

- Blankenbaker Business Center 1A, which was constructed in 1988, is a business center with approximately 100,600 net rentable square feet located in Louisville, Kentucky. As of December 31, 2004, one tenant leases all 100,600 square feet. The tenant is a professional service entity in the insurance industry. Blankenbaker Business Center 1A was 100% occupied as of December 31, 2004.

- Blankenbaker Business Center 1B, which was constructed in 1988, is a business center with approximately 60,000 net rentable square feet in Louisville, Kentucky. As of December 31, 2004, one tenant leases all 60,000 square feet. The tenant is a professional service entity in the insurance industry. Blankenbaker Business Center 1B was 100% occupied as of December 31, 2004.

- Blankenbaker Business Center II, which was constructed in 1988, is a business center with approximately 74,700 net rentable square feet in Louisville, Kentucky. As of December 31, 2004, there were five tenants leasing space aggregating approximately 56,600 square feet. The tenants are professional service entities, principally in pharmaceutical distribution and operations, woodworking shop and general office, electronics repairs and construction of communication towers. Four of these tenants individually lease more than 10% of Blankenbaker Business Center II's net rentable area. Blankenbaker Business Center II was 76% occupied as of December 31, 2004.

- Clarke American, which was constructed in 2000, is a business center with approximately 50,000 net rentable square feet in Louisville, Kentucky. As of December 31, 2004, one tenant leases all 50,000 square feet. The tenant is a professional service entity in the check printing industry. Clarke American was 100% occupied as of December 31, 2004.

- Commonwealth Business Center Phase I, which was constructed in 1984, is a business center with approximately 62,700 net rentable square feet in Louisville, Kentucky. As of December 31, 2004, there were eight tenants leasing space aggregating approximately 33,300 square feet. The tenants are professional service entities, including a healthcare office, insurance company and a machinery sales and monitoring company. Three of these tenants individually lease more than 10% of the net rentable area at Commonwealth Business Center Phase I. Commonwealth Business Center Phase I was 53% occupied as of December 31, 2004.

- Commonwealth Business Center Phase II, which was constructed in 1985, is a business center with approximately 65,900 net rentable square feet located in Louisville, Kentucky. As of December 31, 2004, there were eight tenants leasing space aggregating approximately 37,200 square feet. The tenants are professional service entities, principally involved in engineering and a switching center. Two of these tenants individually lease more than 10% of Commonwealth Business Center Phase II's net rentable area. Commonwealth Business Center Phase II was 56% occupied as of December 31, 2004.

- Lakeshore Business Center Phase I, which was constructed in 1986, is a business center with approximately 103,800 net rentable square feet located in Fort Lauderdale, Florida. As of December 31, 2004, there were twenty-seven tenants leasing space aggregating approximately 68,500 square feet. The tenants are professional service entities, principally in engineering, insurance and financial services and dental equipment suppliers. None of the tenants individually lease more than 10% of the net rentable area at Lakeshore Business Center Phase I. Lakeshore Business Center Phase I was 66% occupied as of December 31, 2004.

- Lakeshore Business Center Phase II, which was constructed in 1989, is a business center with approximately 97,000 net rentable square feet located in Fort Lauderdale, Florida. As of December 31, 2004, there were seventeen tenants leasing space aggregating approximately 71,300 square feet. The tenants are professional service entities, principally in medical equipment sales, financial and engineering services and technology. One of these tenants individually leases more than 10% of the net rentable area at Lakeshore Business Center Phase II. Lakeshore Business Center Phase II was 75% occupied as of December 31, 2004.

- Lakeshore Business Center Phase III, which was constructed in 2000, is a business center with approximately 38,900 net rentable square feet located in Fort Lauderdale, Florida. As of December 31, 2004, there were five tenants leasing space aggregating all 38,900 square feet. The tenants are professional service entities, principally insurance services, telecommunications, real estate development and engineering. Four of these tenants individually lease more than 10% of the net rentable area at Lakeshore Business Center Phase III. Lakeshore Business Center Phase III was 100% occupied as of December 31, 2004.

- Peachtree Corporate Center, which was constructed in 1979, is a business park with approximately 191,300 net rentable square feet located in Atlanta, Georgia. As of December 31, 2004, there were fifty-three tenants leasing space aggregating approximately 171,400 square feet. The tenants are professional service entities, principally in sales-related services. None of these tenants individually lease more than 10% of Peachtree's net rentable area. Peachtree was 90% occupied as of December 31, 2004.

Multifamily Properties:

- Golf Brook Apartments, which was constructed in 1988 and 1989, is a 195-unit luxury apartment complex located on a 16.5-acre tract in Orlando, Florida. As of December 31, 2004, the property was 98% occupied.

- The Park at the Willows, which was constructed in 1988, is a 48-unit luxury apartment complex located on a 2.8-acre tract in Louisville, Kentucky. As of December 31, 2004, the property was 94% occupied.

- Park Place Apartments Phase I, which was constructed in 1987, is a 180-unit luxury apartment complex located on an 18-acre tract in Lexington, Kentucky. As of December 31, 2004, the property was 86% occupied.

- Park Place Apartments Phase II, which was constructed in 1989, is a 132-unit luxury apartment complex located on an 11-acre tract in Lexington, Kentucky. As of December 31, 2004, the property was 88% occupied.

- Park Place Apartments Phase III, which was constructed in 2000, is a 152-unit luxury apartment complex located on a 15-acre tract in Lexington, Kentucky. As of December 31, 2004, the property was 85% occupied.

- Sabal Park Apartments, which was constructed in 1987, is a 162-unit luxury apartment complex located on a 13-acre tract in Orlando, Florida. As of December 31, 2004, the property was 99% occupied.

- The Willows of Plainview Phase I, which was constructed in 1985, is a 118-unit luxury apartment complex in Louisville, Kentucky. As of December 31, 2004, the property was 80% occupied.

- The Willows of Plainview Phase II, which was constructed in 1985, is a 144-unit luxury apartment complex in Louisville, Kentucky. As of December 31, 2004, the property was 74% occupied.

- Willow Lake Apartments, which was constructed in 1985, is a 207-unit luxury apartment complex located on an 18-acre tract in Indianapolis, Indiana. As of December 31, 2004, the property was 87% occupied.

Retail Properties:

- Bed, Bath & Beyond, which was constructed in 1999, is a 35,000 square foot facility located in Louisville, Kentucky, all of which is leased to Bed, Bath & Beyond.

- Outlets Mall, which was constructed in 1983, is a 162,600 square foot mall located in Louisville, Kentucky which as of December 31, 2004 was 100% occupied. The property is occupied by Garden Ridge L.P. and three subtenants.

- Springs Station, which was constructed in 2001, is a retail facility with approximately 12,000 net rentable square feet located in Louisville, Kentucky. As of December 31, 2004, there were five tenants leasing space aggregating approximately 11,000 square feet. The tenants who occupy Springs Station are professional service entities whose principal businesses are occupational therapy, staffing and retail jewelry. Three of these tenants individually lease more than 10% of Springs Station's rentable area. Springs Station was 92% occupied as of December 31, 2004.

Ground Lease:

- We own the ground lease relating to a 120-space parking lot located in Louisville, Kentucky and leased to ITT Educational Services, Inc. The ITT Parking Lot is attached to Plainview Point Office Center Phases I and II. The lease expires July 30, 2009.

Occupancy Rates

The table below sets forth the average occupancy rate for each of the past three years with respect to each of our properties.

	Years Ended December 31,		
	2004	2003	2002
OFFICE BUILDING OCCUPANCY			
NTS Center	74%	76%	87%
Plainview Center	80%	70%	70%
Plainview Point Office Center Phases I and II	73%	84%	86%
Plainview Point Office Center Phase III	74%	50%	55%
Anthem Office Center	100%	100%	100%
Atrium Center	55%	66%	80%
Springs Medical Office Center	93%	91%	96%
Springs Office Center	97%	90%	91%
Sears Office Building	100%	100%	100%
BUSINESS CENTER OCCUPANCY			
Blankenbaker Business Center 1A	100%	100%	100%
Blankenbaker Business Center 1B	100%	100%	100%
Blankenbaker Business Center II	78%	90%	95%
Clarke American	100%	100%	100%
Commonwealth Business Center Phase I	82%	91%	87%
Commonwealth Business Center Phase II	60%	67%	77%
Lakeshore Business Center Phase I	71%	70%	80%
Lakeshore Business Center Phase II	77%	81%	84%
Lakeshore Business Center Phase III	91%	59%	36%
Peachtree Corporate Center	87%	84%	84%
MULTI-FAMILY OCCUPANCY			
Golf Brook Apartments	96%	93%	91%
The Park at The Willows	90%	81%	83%
Park Place Apartments Phase I	83%	88%	79%
Park Place Apartments Phase II	84%	89%	82%
Park Place Apartments Phase III	90%	93%	83%
Sabal Park Apartments	96%	93%	93%
The Willows of Plainview Phase I	86%	93%	85%
The Willows of Plainview Phase II	80%	85%	85%
Willow Lake Apartments	86%	85%	88%
RETAIL OCCUPANCY			
Bed, Bath & Beyond	100%	100%	100%
Outlets Mall	100%	100%	100%
Springs Station	97%	94%	62%
GROUND LEASE			
ITT Parking Lot (1)	N/A	N/A	N/A

(1) The ground lease expires July 30, 2009 and is leased by one tenant in Plainview Point Office Center Phases I and II.

Tenant Information

We are not dependent upon any tenant for 10% or more of our revenues. The loss of any one tenant should not have a material adverse effect on our business or financial performance. The following table sets forth our ten largest tenants based on annualized base rent as of December 31, 2004.

Tenant	Total Leased Square Feet	Annualized Base Rent (1)	Percentage of Annualized Base Rent (1)	Lease Expiration
SHPS/Prudential Service Bureau	160,689	$1,712,843	5.48%	01/11/16
Anthem, Inc.	84,717	810,692	2.59%	08/31/05
Appriss, Inc.	53,605	919,752	2.94%	07/31/07
Food Service Purchasing Coop.	52,263	807,221	2.58%	02/28/13
Citicorp North America, Inc.	66,905	802,191	2.57%	07/15/05
Garden Ridge Corp.	162,617	731,777	2.34%	03/12/10
Kroger Company	53,435	695,489	2.23%	06/30/06
Clarke American Checks, Inc.	50,000	512,500	1.64%	08/31/10
Acordia of Kentucky	22,642	399,621	1.28%	04/18/10
Bed, Bath & Beyond	34,953	367,007	1.17%	01/31/15

(1) Annualized Base Rent means annual contractual rent.

Indebtedness

The table below reflects the outstanding indebtedness from mortgages and notes payable for our properties as of December 31, 2004. Properties that are not encumbered by mortgages or notes are not listed below. Some of our mortgages and notes bear interest in relation to the Libor Rate. As of December 31, 2004, the Libor Rate was 2.400%. The Libor Rate is a variable rate of interest that is adjusted from time to time based on interest rates set by London financial institutions.

Property	Interest Rate	Maturity Date		Balance on December 31, 2004
NTS Realty (1)	Libor + 1.75%	06/28/05	$	14,971,350
Lakeshore Business Center Phases I, II and III (2)	Libor + 2.5%	01/01/08		14,000,000
NTS Realty Multifamily Properties	5.98%	01/15/15		75,000,000
Bed, Bath & Beyond (3)	9.00%	08/01/10		2,806,142
Clarke American	8.45%	11/01/15		3,101,366
Plainview Point Office Center Phase III (4)	8.375%	12/01/10		2,905,604
			$	112,784,462

(1) This note was replaced in March 2005 with a $30 million loan secured by Atrium Center, Blankenbaker Business Center 1A and 1B and Blankenbaker Business Center II, Springs Medical Office Center, Springs Office Center and Springs Station. The mortgage bears interest at a fixed rate of 5.07% per annum and matures March 15, 2015.
(2) This note is guaranteed individually and severally by Mr. Nichols and Mr. Brian F. Lavin in the prorata amounts of 75% and 25%, respectively.
(3) A balloon payment of $2,213,097 is due upon maturity.
(4) A balloon payment of $2,243,300 is due upon maturity.

Our mortgages may be prepaid but are generally subject to a yield-maintenance premium.

Property Tax

The following table sets forth for each property that we own, the property tax rate and annual property taxes.

Schedule of Annual Property Tax Rates and Taxes Paid - 2004

State	Property	Property Tax Rate (per $100)		Gross Amount Annual Property Taxes (1)
FL	Golf Brook Apartments	1.69	$	233,100
FL	Lakeshore Business Center Phase I	2.47		185,563
FL	Lakeshore Business Center Phase II	2.47		211,703
FL	Lakeshore Business Center Phase III	2.47		66,356
FL	Sabal Park Apartments	1.69		159,846
GA	Peachtree Corporate Center	3.20		102,630
IN	Willow Lake Apartments	2.66		236,614
KY	Anthem Office Center	1.11		53,949
KY	Atrium Center	1.11		64,487
KY	Bed, Bath & Beyond	1.11		22,439
KY	Blankenbaker Business Center 1A	1.11		53,786
KY	Blankenbaker Business Center 1B	1.11		33,851
KY	Blankenbaker Business Center II	1.11		42,353
KY	Clarke American	1.11		25,952
KY	Commonwealth Business Center I	1.11		46,805
KY	Commonwealth Business Center II	1.11		39,414
KY	ITT Parking Lot	1.11		1,613
KY	NTS Center	1.11		76,512
KY	Outlets Mall	1.11		52,052
KY	The Park at the Willows	1.11		14,554
KY	Park Place Apartments Phase I	0.97		76,472
KY	Park Place Apartments Phase II	0.97		64,856
KY	Park Place Apartments Phase III	0.97		70,664
KY	Plainview Center	1.11		30,704
KY	Plainview Point Office Center Phases I & II	1.11		19,161
KY	Plainview Point Office Center Phase III	1.11		36,554
KY	Sears Office Building	1.11		48,781
KY	Springs Medical Office Center	1.11		79,726
KY	Springs Office Center	1.11		95,414
KY	Springs Station	1.11		10,141
KY	The Willows of Plainview I	1.11		53,716
KY	The Willows of Plainview II	1.11		58,698
			$	2,368,466

(1) Does not include any offset for property tax reimbursed by tenants. Property taxes in Jefferson County, Kentucky are discounted by approximately 2% if they are paid prior to the due date. Discounts for early payment in other states generally provide no discount to the gross amount of property tax.

Item 3 – Legal Proceedings

On May 6, 2004, the Superior Court of the State of California for the County of Contra Costa granted its final approval of the settlement agreement jointly filed by the general partners (the "General Partners") of the Partnerships, along with certain of their affiliates, with the class of plaintiffs in the action originally captioned Buchanan, et al. v. NTS-Properties Associates, et al. (Case No. C 01-05090) on December 5, 2003. At the final hearing, any member of the class of plaintiffs was given the opportunity to object to the final approval of the settlement agreement, the entry of a final judgment dismissing with prejudice the Buchanan litigation, or an application of an award for attorneys' fees and expenses to plaintiffs' counsel. The Superior Court's order provided, among other things, that: (1) the settlement agreement, and all transactions contemplated thereby, including the merger of the Partnerships into us, are fair, reasonable and adequate, and in the best interests of the class of plaintiffs; (2) the plaintiffs' complaint and each and every cause of action and claim set forth therein is dismissed with prejudice; (3) each class member is barred from transferring, selling or otherwise disposing of (other than by operation of law) their interests until the earlier of the closing date of the merger, the termination of the settlement or June 30, 2004; and (4) each class member who requested to be excluded from the settlement released their claims in the Bohm litigation.

On June 11, 2004, Joseph Bohm and David Duval, class members who objected to the settlement agreement but whose objections were overruled by the Superior Court (the "Appellants"), filed an appeal in the Court of Appeals of the State of California, First Appellate District. The Appellants filed their opening appellate brief on October 22, 2004. The General Partners and the Partnerships, as well as the class representatives, filed their respective responses on February 14, 2005, and Appellants filed their reply. The appellate court is in the process of scheduling oral arguments on this matter.

On February 27, 2003, two individuals filed a class and derivative action in the Circuit Court of Jefferson County, Kentucky captioned Bohm, et al. v. J.D. Nichols, et al. (Case No. 03-CI-01740) against certain of the General Partners and several individuals and entities affiliated with us. The complaint was amended to include the general partner of NTS-Properties III and the general partner of NTS-Properties Plus Ltd., which is no longer in existence. In the amended complaint, the plaintiffs purport to bring claims on behalf of a class of limited partners and derivatively on behalf of us and the Partnerships based on alleged overpayment of fees, prohibited investments, improper failures to make distributions, purchases of limited partnerships interests at insufficient prices and other violations of the limited partnership agreements. The plaintiffs are seeking, among other things, compensatory and punitive damages in an unspecified amount, an accounting, the appointment of a receiver or liquidating trustee, the entry of an order of dissolution against the Partnerships, a declaratory judgment and injunctive relief. No amounts have been accrued for the settlement of this action in our financial statements. The General Partners and their legal counsel believe that this action is without merit and are vigorously defending it.

On March 2, 2004, the General Partners filed a motion to dismiss the Bohm litigation. After the motion to dismiss was fully briefed, the settlement agreement in the Buchanan litigation received final court approval. The Circuit Court of Jefferson County, Kentucky, instructed the plaintiffs in the Bohm litigation to file an amended complaint in light of the approved settlement of the Buchanan litigation. The plaintiffs in the Bohm litigation filed a corrected second amended complaint on August 11, 2004. The General Partners, along with all defendants, filed a motion to strike the corrected second amended complaint. On February 9, 2005, the Circuit Court instructed the defendants to file a responsive pleading only as to direct claims asserted by the individual plaintiffs. On March 9, 2005, the General Partners, along with all of the defendants, filed: (1) a motion to dismiss and (2) a joint motion to dismiss the "corrected" second amended complaint. A hearing on these motions likely will occur during the second or third quarter of 2005. The General Partners believe that the claims asserted in the corrected second amended complaint have no merit.

Item 4 - Submission of Matters to a Vote of Security Holders

From October 27, 2004, through December 27, 2004, the general partners of the Partnerships solicited the vote of their respective limited partners to approve the merger of the Partnerships and us. In addition, the general partners of NTS-Properties III and NTS-Properties IV solicited the vote of their respective limited partners to approve the amendment of each such Partnership's limited partnership agreement. These amendments were necessary to permit the merger to occur. Each of the foregoing solicitations was approved by the requisite number of limited partnership units of the applicable Partnerships. Set forth below are the results of each solicitation.

Approval of the Merger

Partnership	Interests Voted For	% of Interests Voted For	Interests Voted Against	% of Interests Voted Against
NTS-Properties III	9,026	71.81%	805	6.40%
NTS-Properties IV	17,038	70.67%	915	3.80%
NTS-Properties V	21,579	70.70%	1,457	4.77%
NTS-Properties VI	27,003	69.44%	910	2.34%
NTS Properties VII	367,298	66.51%	10,195	1.85%

Approval of the Amendment to the Limited Partnership Agreement of NTS-Properties III

Partnership	Interests Voted For	% of Interests Voted For	Interests Voted Against	% of Interests Voted Against
NTS-Properties III	9,026	71.8%	805	6.40%

Approval of the Amendment to the Limited Partnership Agreement of NTS-Properties IV

Partnership	Interests Voted For	% of Interests Voted For	Interests Voted Against	% of Interests Voted Against
NTS-Properties IV	17,013	70.57%	915	3.80%

PART II

Item 5 – Market for Registrant's Limited Partnership Units and Related Partner Matters

Common Stock Market Prices and Dividends

Beginning December 29, 2004, our units were listed for trading on the American Stock Exchange (the "Exchange") under the symbol NLP. The approximate number of record holders of our units at December 31, 2004 was 5,839.

High and low unit prices on the Exchange for the period December 29, 2004 through December 31, 2004 were $5.50 to $5.00. No dividends were declared or paid in 2004.

We have a policy of paying regular cash dividends, although there is no assurance as to the payment of future dividends because they depend on future earnings, capital requirements and financial condition. In addition, the payment of dividends is subject to the restrictions described in Part II, Item 8, Note 2 – Section J, to the financial statements and discussed in Part II, Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations.

Item 6 – Selected Financial Data

The following table sets forth selected historical combined condensed financial and operating data as if NTS-Properties III, NTS-Properties IV, NTS-Properties V, NTS-Properties VI, NTS-Properties VII, Ltd. (the "Partnerships") and NTS Private Group were combined on a historical basis. This historical combined presentation reflects adjustments to the actual historical data to: 1) include a previously unconsolidated joint venture (Blankenbaker Business Center 1A); 2) eliminate the equity investment and minority interests in wholly combined joint ventures in the historical financial information of the applicable partnership; and 3) include any debt used by ORIG and its related interest cost to acquire interests in the Partnerships which was assumed by NTS Realty in the merger.

We have derived the combined condensed statement of operations and balance sheet data as of and for the year ended December 31, 2000 with respect to the Partnerships from the audited financial statements of said Partnerships and with respect to the NTS Private Group from its unaudited combined financial statements. We have derived the combined condensed statement of operations and balance sheet data as of and for the period from January 1, 2004 to December 27, 2004 and for the years ended December 31, 2003, 2002 and 2001 from the audited financial statements of the Partnerships and the NTS Private Group. We have derived the combined condensed statement of operations data consisting of interest expense relating to ORIG's debt from the unaudited financial statements of ORIG for each of the five years ended December 31, 2004. In the opinion of management, our unaudited financial statements have been prepared on a basis consistent with our audited financial statements and include all adjustments, consisting of normal recurring accruals, which we consider necessary for a fair presentation of our financial condition and the results of operations as of such date and for such periods under U.S. generally accepted accounting principles.

HISTORICAL COMBINED CONDENSED

	Period Ended December 27, 2004 (Unaudited)	Year Ended December 31, 2003 (Unaudited)	2002 (Unaudited)	2001 (Unaudited)	2000 (Unaudited)
STATEMENT OF OPERATIONS DATA					
Rental income	$ 31,245,985	$ 31,762,268	$ 32,014,147	$ 32,414,553	$30,814,831
Tenant reimbursements	2,384,764	2,371,880	2,374,347	2,330,607	2,170,390
TOTAL REVENUES	33,630,749	34,134,148	34,388,494	34,745,160	32,985,221
Operating expenses and operating expenses – affiliated	12,523,948	11,409,356	11,804,936	12,202,657	11,078,609
Management fees	1,829,000	1,854,917	1,876,685	1,900,161	1,831,860
Real estate taxes	1,993,251	2,422,711	2,267,523	2,332,384	2,214,205
Professional and administrative and professional and administrative – affiliated	4,816,931	3,517,787	1,839,931	1,564,025	1,618,543
Depreciation and amortization	8,239,203	8,006,076	8,370,527	8,318,800	7,507,502
TOTAL OPERATING EXPENSES	29,402,333	27,210,847	26,159,602	26,318,027	24,250,719
OPERATING INCOME	4,228,416	6,923,301	8,228,892	8,427,133	8,734,502
Interest and other income and interest and other income – affiliated	1,608,418	364,683	299,326	563,354	1,118,519
Interest expense and interest expense - affiliated	(13,408,912)	(8,185,284)	(8,763,601)	(9,274,001)	(9,283,010)
Loss on disposal of assets	(74,452)	(303,906)	(132,478)	(178,522)	(1,061,224)
Settlement charge	(2,896,259)	-	-	-	-
NET LOSS	$ (10,542,789)	$ (1,201,206)	$ (367,861)	$ (462,036)	$ (491,213)
BALANCE SHEET DATA (end of period)					
Land, buildings and amenities, net	N/A	$120,994,416	$ 125,902,043	$132,277,155	$137,888,786
Total assets	N/A	129,831,524	141,020,277	147,246,636	151,960,898
Mortgages and notes payable	N/A	109,258,373	122,391,250	123,937,185	123,993,289

Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations

This section provides the Historical Combined Management's Discussion and Analysis of Financial Condition and Results of Operations (''MD&A'') as if the Partnerships, ORIG and the NTS Private Group were combined on a historical basis. See Item 6 - Selected Financial Data for a description of certain assumptions made in the combined presentation.

The following discussion should be read in conjunction with the historical and proforma financial statements appearing in Part II – Item 8. This discussion is based primarily on our statements of operations and cash flow information for the years ended December 31, 2004, 2003 and 2002 as if it were combined with our predecessors.

Critical Accounting Policies

General

A critical accounting policy is one that would materially affect our operations or financial condition, and requires management to make estimates or judgments in certain circumstances. These judgments often result from the need to make estimates about the effect of matters that are inherently uncertain. Critical accounting policies discussed in this section are not to be confused with accounting principles and methods disclosed in accordance with U.S. generally accepted accounting principles (''GAAP''). GAAP requires information in financial statements about accounting principles, methods used and disclosures pertaining to significant estimates. The following disclosure discusses judgments known to management pertaining to trends, events or uncertainties known which were taken into consideration upon the application of those policies and the likelihood that materially different amounts would be reported upon taking into consideration different conditions and assumptions.

Impairment and Valuation

Statement of Financial Accounting Standards (''SFAS'') No. 144 ''Accounting for the Impairment or Disposal of Long Lived Assets,'' specifies circumstances in which certain long lived assets must be reviewed for impairment. If this review indicates that the carrying amount of an asset exceeds the sum of its expected future cash flows, the asset's carrying value must be written down to fair value. In determining the value of an investment property and whether the investment property is impaired, management considers several factors such as projected rental and vacancy rates, property operating expenses, capital expenditures and interest rates. The capitalization rate used to determine property valuation is based on among others, the market in which the investment property is located, length of leases, tenant financial strength, the economy in general, demographics, environment, property location, visibility, age and physical condition. All of these factors are considered by management in determining the value of any particular investment property. The value of any particular investment property is sensitive to the actual results of any of these factors, either individually or taken as a whole. If the actual results differ from management's judgment, the valuation could be negatively or positively affected.

The merger was accounted for using the purchase method of accounting in accordance with SFAS No. 141 ''Business Combinations.'' NTS Realty was treated as the purchasing entity. The portion of each partnership's assets and liabilities acquired from unaffiliated third parties was adjusted to reflect its fair market value. That portion owned by affiliates of the general partners of the Partnerships was reflected at historical cost. The assets and liabilities contributed by NTS Private Group were adjusted to reflect their fair market value, except for that portion owned by Mr. Nichols which was reflected at historical cost due to his common control over the contributing entities.

In accordance with SFAS No. 141, we have allocated the purchase price of each acquired investment property among land, building and improvements, other intangibles, including acquired above market leases, acquired below market leases and acquired in place lease origination cost which is the market cost avoidance of executing the acquired leases. Allocation of the purchase price is an area that requires complex judgments and significant estimates. We used the information contained in a third party appraisal as the primary basis for allocating the purchase price between land and buildings. A pro rata portion of the purchase price was allocated to the value of avoiding a lease-up period for acquired in-place leases. The value of in-place leases is amortized to expense over the remaining initial term of the respective leases. A portion of the purchase price was allocated to the estimated lease origination cost based on estimated lease execution costs for similar leases and considered various factors including geographic location and size of leased space. We then evaluated acquired leases based upon current market rates at the acquisition date and various other factors including geographic location, size and the location of leased space within the property, tenant profile and the credit risk of the tenant in determining whether the acquired lease is above or below market. After acquired leases were determined to be at, above or below market, we allocated a pro rata portion of the purchase price to any acquired above or below market lease based upon the present value of the difference between the contractual lease rate and the estimated market rate. We also consider an allocation of purchase price to in-place leases that have a customer relationship intangible value. The characteristics we consider in allocating these values include the nature and extent of existing business relationships with the tenant, growth prospects for developing new business with the tenant and the tenant's credit quality and expectations of lease renewals. We currently do not have any tenants with whom we have developed a relationship that we believe has any current intangible value.

Recognition of Rental Income

Under GAAP, we are required to recognize rental income based on the effective monthly rent for each lease. The effective monthly rent is equal to the average monthly rent during the term of the lease, not the stated rent for any particular month. The process, known as ''straight lining'' or ''stepping'' rent generally has the effect of increasing rental revenues during the early phases of a lease and decreasing rental revenues in the latter phases of a lease. Due to the impact of ''straight lining,'' on a historical combining basis, rental income exceeded the cash collected for rent by approximately $100,000, $323,000 and $307,000, for the years ended December 31, 2004, 2003 and 2002, respectively. If rental income calculated on a straight line basis exceeds the cash rent due under the lease, the difference is recorded as an increase in deferred rent receivable and included as a component of accounts receivable on the relevant balance sheet. If the cash rent due under the lease exceeds rental income calculated on a straight line basis, the difference is recorded as a decrease in deferred rent receivable and is recorded as a decrease of accounts receivable on the relevant balance sheet. We defer recognition of contingent rental income, such as percentage or excess rent, until the specified target that triggers the contingent rental income is achieved. We periodically review the collectability of outstanding receivables. Allowances are generally taken for tenants with outstanding balances due for a period greater than ninety days and tenants with outstanding balances due for a period less than ninety days but that we believe are potentially uncollectible.

Recognition of Lease Termination Income

We recognize lease termination income upon receipt of the income. We accrue lease termination income if there is a signed termination agreement, all of the conditions of the agreement have been met and the tenant is no longer occupying the property.

Cost Capitalization and Depreciation Policies

We review all expenditures and capitalize any item exceeding $1,000 deemed to be an upgrade or a tenant improvement with an expected useful life greater than one year. Land, buildings and amenities are stated at cost. Depreciation expense is computed using the straight line method over the estimated useful lives of the assets. Buildings and improvements have estimated useful lives between 5-40 years, land improvements have estimated useful lives between 5-30 years, and amenities have estimated useful lives between 3-30 years. Acquired above and below market leases are amortized on a straight line basis over the life of the related leases as an adjustment to rental income. Acquired in place lease origination cost is amortized over the life of the lease as a component of amortization expense.

Liquidity and Capital Resources

Our most liquid asset is our cash and cash equivalents, which consist of cash and short term investments, but do not include any restricted cash. Operating income generated by the properties will be the primary source from which we generate cash. Other sources of cash include the proceeds from mortgage loans and notes payable. Our main uses of cash will relate to capital expenditures, required payments of mortgages and notes payable, distributions and property taxes.

	Years Ended December 31,		
	2004	2003	2002
Operating activities	$ 7,882,465	$ 8,775,624	$ 8,179,298
Investing activities	(2,129,478)	2,393,950	(2,074,162)
Financing activities	(4,516,844)	(12,381,984)	(6,024,812)
Net increase (decrease) in cash and equivalents	$ 1,236,143	$ (1,212,410)	$ 80,324

Cash Flow from Operating Activities

Net cash provided by operating activities decreased from approximately $8.8 million for the year ended December 31, 2003 to approximately $7.9 million for the year ended December 31, 2004. The decrease is primarily due to reduced results of operations and to the change in accounts payable. As a result of the merger, we were able to reimburse NTS Development Company, an affiliate of ours, for deferred fees and expenses. The change in accounts payable was also the result of decreased payables related to litigation filed by limited partners and settlement directed merger costs.

Net cash provided by operating activities increased from approximately $8.2 million for the year ended December 31, 2002 to approximately $8.8 million for the year ended December 31, 2003. The increase was primarily due to an increase in accounts payable related to our ongoing litigation filed by limited partners and settlement directed merger costs.

Cash Flow from Investing Activities

Net cash flow used in investing activities was approximately $2.1 million for the year ended December 31, 2004. For the year ended December 31, 2003, net cash flow provided by investing activities was approximately $2.4 million. The change from net cash flow provided in 2003 to net cash flow used in 2004 was primarily the result of cash payments in 2003 from NTS Private Group's affiliates of approximately $6.1 million for notes receivable related to inter-company borrowings (no similar payments received in 2004), partially offset by a decrease of approximately $1.3 million in additions to land, buildings and amenities in 2004 as compared to 2003.

Net cash flow from investing activities was approximately $2.4 million for the year ended December 31, 2003. For the year ended December 31, 2002, we used approximately $2.1 million in net cash for investing activities. The change was primarily due to cash payments from NTS Private Group's affiliates of approximately $6.1 million for notes receivable related to inter-company borrowings, which was partially offset by increased additions to land, buildings and amenities.

Cash Flow from Financing Activities

For the years ended December 31, 2004 and 2003, we used approximately $4.5 million and $12.4 million, respectively, in net cash for financing activities. The change was primarily the result of capital funding made as the result of the merger and cash payments made to NTS Private Group's affiliates in 2003 of approximately $6.7 million for notes payable related to inter-company borrowings (no similar payments made in 2004), partially offset by a decrease of approximately $2.3 million in principal payments on mortgages and notes payable in 2004 as compared to 2003.

Net cash used in financing activities increased from approximately $6.0 million for the year ended December 31, 2002 to approximately $12.4 million for the year ended December 31, 2003. The increase in net cash used was primarily due to cash payments to NTS Private Group's affiliates of approximately $6.7 million for notes payable related to inter-company borrowings and lower proceeds from mortgages and notes payable.

Future Liquidity

Our future liquidity depends significantly on our properties' occupancy remaining at a level which provides for debt payments and adequate working capital, currently and in the future. If occupancy were to fall below that level and remain at or below that level for a significant period of time, our ability to make payments due under our debt agreements and to continue paying daily operational costs would be greatly impaired. In the next twelve months, we intend to operate the properties in a similar manner to their operation in recent years. Cash reserves which consist of unrestricted cash as shown on our balance sheet was approximately $2,574,000 on December 31, 2004. As part of the merger, we refinanced approximately $94.0 million of debt with approximately $104.0 million of new debt. The refinancing, among other things, lowered the average interest rate on the debt from approximately 6.8% to 6.0% and changed the amortization schedules to thirty years. The refinancing of this debt allowed us to generate cash flow to pay capital expenditures, principal and interest expenses from mortgages and notes payable, deferred fees and expenses to NTS Development Company. Subject to our Distribution Policy, we anticipate making quarterly distributions to our limited partners.

We expect to incur capital expenditures of approximately $11.0 million during the next twelve months primarily for roof replacements and tenant origination costs necessary to continue leasing our properties. This discussion of future liquidity along with the table of contractual obligations and commercial commitments that follows, details our material commitments.

This section describes our results of operations for the years ended December 31, 2004, 2003 and 2002 as if it were combined with our predecessors' operations without adjustment. As of December 31, 2004, we owned nineteen office and business centers, nine multifamily properties, three retail properties and one ground lease. We generate substantially all of our operating income from property operations.

Merger/Settlement Charge

NTS Realty was formed as part of a class action settlement where its affiliate and limited partner ORIG has agreed to admit a ''qualified settlement trust'' as a special member of ORIG. This special member interest is being created for the benefit of the class members in the litigation who are former limited partners who sold their limited partnership interests to ORIG, its affiliates or the Partnerships either as part of tender offers, other repurchase programs or otherwise. Under the terms of ORIG's operating agreement, all of the economic and other rights associated with up to 620,000 Units owned by ORIG will be designated for the benefit of the qualified settlement trust. ORIG will own the Units, but all of the rights associated with the Units will inure to the qualified settlement trust. Plaintiffs' counsel, or his designee, will have the right, acting as a representative of these former limited partners, to cause ORIG to vote these designated Units pursuant to his direction. The amount of Units was determined based on the $6.2 million non-cash amount of the $6.85 million settlement amount agreed upon by the general partners and plaintiffs' counsel. Therefore, if each Unit is valued at $10.00, then the economic and other rights associated with 620,000 Units will be needed to satisfy the settlement amount. The final amount of the settlement, however, is based on the amount of valid claims filed by the former limited partners in the class of plaintiffs. If claims are not made for the full $6.2 million settlement amount, ORIG will designate the economic and other rights to fewer Units for the benefit of the qualified settlement trust to satisfy the claims. We refer to these designated Units as the ''Class Units.'' Under the terms of the settlement agreement governing the qualified settlement trust, Mr. Nichols, his spouse and Mr. Lavin are jointly obligated, for a period of two years, to repurchase from the qualified settlement trust, using 75% of the distributions that ORIG receives in respect of the Units owned by ORIG which otherwise would have gone to Mr. Nichols, his spouse or Mr. Lavin, the economic and other rights associated with the number of Class Units calculated under the formula described below. Each payment will result in the redesignation of rights associated with the number of Class Units equal to the amount of the distribution divided by 115% of the ''fair market value'' of the Units. As a result of each payment, the number of Class Units designated for the benefit of the qualified settlement trust will decrease until the economic and other rights associated with all of the Class Units are ultimately redesignated for the benefit of Mr. Nichols, his spouse, and/or Mr. Lavin within two years of when we begin making distributions. If any Class Units remain at the end of this two-year period, Mr. Nichols, his spouse and Mr. Lavin must make a final payment to the qualified settlement trust that is sufficient to redesignate any remaining Class Units. For these purposes, fair market value will be equal to the average closing price of the Units on the American Stock Exchange for the thirty-day period prior to the date of the redesignation. Our Statement of Operations includes a non-cash charge for our estimate related to the settlement with a corresponding credit to Partners' Equity immediately following the completion of the merger. The non-cash charge was approximately $2.9 million. Our earnings were negatively impacted by this non-cash charge. However, there was no effect on our future liquidity because Mr. Nichols, his spouse and Mr. Lavin must make the payments to the qualified settlement trust to redesignate the Class Units as set forth above.

Results of Operations - Year Ended December 31, 2004, as Compared to December 31, 2003, as Compared to December 31, 2002

On a historical combined basis, our net loss for the year ended December 31, 2004 was approximately $10,325,000 as compared to $1,201,000 for the year ended December 31, 2003 and $368,000 for the year ended December 31, 2002. Our net loss increased during the years ended December 31, 2004 and 2003 primarily because of the effects of continuing legal and professional expenses related to the merger and the class action litigation. Rental income remained relatively stable between 2003 and 2004 and between 2002 and 2003.

	Year Ended December 31, 2004 (Unaudited)					
	Land	Retail	Commercial	Multifamily	Non Segment	Total
Total revenues	$ 45,087	$ 1,358,242	$ 18,428,825	$ 13,798,595	$ -	$ 33,630,749
Operating expenses and operating expenses–affiliated	1,133	233,261	6,027,827	6,261,727	-	12,523,948
Depreciation and amortization	5,087	315,343	4,588,057	3,207,783	122,933	8,239,203
Total interest expense	-	423,166	7,965,089	3,954,071	1,066,586	13,408,912
Net income (loss)	3,293	240,684	(2,505,322)	(1,058,413)	(7,005,331)	(10,325,089)

	Year Ended December 31, 2003 (Unaudited)					
	Land	Retail	Commercial	Multifamily	Non Segment	Total
Total revenues	$ 53,537	$ 1,370,517	$ 18,373,809	$ 14,336,285	$ -	$ 34,134,148
Operating expenses and operating expenses–affiliated	2,261	92,024	5,546,958	5,768,113	-	11,409,356
Depreciation and amortization	5,087	293,497	4,423,417	3,138,276	145,799	8,006,076
Total interest expense	238	451,724	3,787,261	1,608,489	2,337,572	8,185,284
Net income (loss)	22,070	409,606	2,234,981	1,834,158	(5,702,021)	(1,201,206)

	Year Ended December 31, 2002 (Unaudited)					
	Land	Retail	Commercial	Multifamily	Non Segment	Total
Total revenues	$ 216,344	$ 1,245,555	$ 19,136,768	$ 13,789,827	$ -	$ 34,388,494
Operating expenses and operating expenses–affiliated	17,953	94,981	5,773,897	5,922,105	(4,000)	11,804,936
Depreciation and amortization	5,087	269,271	4,515,119	3,435,251	145,799	8,370,527
Total interest expense	224	501,406	4,251,936	1,629,166	2,380,869	8,763,601
Net income (loss)	237,138	299,519	2,501,054	936,845	(4,342,417)	(367,861)

Rental Income and Tenant Reimbursements

Rental income and tenant reimbursements for the years ended December 31, 2004 and 2003 were approximately $33,631,000 and $34,134,000, respectively. The decrease of approximately $503,000, or 1%, was not a significant change and is not indicative of any known trend or uncertainty. There were no offsetting material changes.

Rental income and tenant reimbursements for the years ended December 31, 2003 and 2002 were approximately $34,134,000 and $34,388,000, respectively. The decrease of approximately $254,000, or 1%, was not a significant change and is not indicative of any known trend or uncertainty. There were no offsetting material changes.

Operating Expenses and Operating Expenses – Affiliated

Operating expenses and operating expenses - affiliated for the years ended December 31, 2004 and 2003 were approximately $12,524,000 and $11,409,000, respectively. The increase of approximately $1,115,000, or 10%, was primarily due to 1) increased repairs and maintenance expenses, tax consulting fees and insurance expense at the multifamily properties, 2) increased repairs and maintenance expenses and bad debt expense at the commercial properties, 3) increased bad debt expense for the retail properties mainly due to a tenant (at Outlets Mall) declaring bankruptcy during February 2004 and 4) increased personnel costs at the commercial properties, multifamily properties and the retail properties. The increase is partially offset by decreased bad debt expense at the multifamily properties and decreased non-recoverable expenses at the commercial properties.

Operating expenses and operating expenses - affiliated for the years ended December 31, 2003 and 2002 were approximately $11,409,000 and $11,805,000, respectively. The decrease of approximately $396,000, or 3%, was not a significant change and is not indicative of any known trend or uncertainty. There were no offsetting material changes.

Operating expenses - affiliated are for the services performed by employees of NTS Development Company, an affiliate of our general partner. These employee services include property management, leasing, maintenance, security and other services necessary to manage and operate our business.

Real Estate Taxes

Real estate taxes for the years ended December 31, 2004, 2003 and 2002 were approximately $1,993,000, $2,423,000 and $2,268,000, respectively. The decrease of approximately $430,000, or 18%, in 2004 was primarily due to decreased tax assessments by the local taxing authority for one of the multifamily properties (Willow Lake Apartments). We received notice of increased tax assessments in 2003 and retained a consultant to negotiate a reduction of the assessments. During the ensuing time period, the general partners of the Partnerships decided to accrue property tax expense according to the assessed rate and not at the anticipated reduced rate. During the first and third quarters of 2004, the general partners of the Partnerships received notices of the reduction of the assessments and were able to adjust the periodic expense accordingly. The general partners of the Partnerships did not record a gain contingency for any property tax over-payments refunded in 2004. The increase of approximately $155,000, or 7%, in 2003 was primarily due to the increased tax assessment for Willow Lake Apartments received in 2003.

Professional and Administrative Expenses and Professional and Administrative Expenses – Affiliated

Professional and administrative expenses and professional and administrative expenses - affiliated for the years ended December 31, 2004 and 2003 were approximately $4,817,000 and $3,518,000, respectively. The increase of approximately $1,299,000, or 37%, was primarily the result of increased legal and professional fees related to the merger and to class action litigation. Professional and administrative expenses for the year ended December 31, 2004 included approximately $2,156,000 and $723,000 of merger and litigation expenses, respectively. Professional and administrative expenses for the year ended December 31, 2003 included approximately $757,000 and $704,000 of merger and litigation expenses, respectively.

Professional and administrative expenses and professional and administrative expenses - affiliated for the years ended December 31, 2003 and 2002 were approximately $3,518,000 and $1,840,000, respectively. The increase of approximately $1,678,000, or 91%, was primarily the result of increased legal and professional fees related to the class action litigation and the merger. Professional and administrative expenses for the year ended December 31, 2003 included approximately $757,000 and $704,000 of merger and litigation expenses, respectively. Professional and administrative expenses for the year ended December 31, 2002 included approximately $152,000 and $238,000 of merger and litigation expenses, respectively.

Professional and administrative expenses - affiliated are for the services performed by employees of NTS Development Company, an affiliate of our general partner. These employee services include legal, financial and other services necessary to manage and operate our business.

Professional and administrative expenses - affiliated consisted of the following:

	Years Ended December 31,		
	2004	2003	2002
Finance	$ 298,000	$ 246,000	$ 235,000
Accounting	485,000	415,000	328,000
Investor Relations	153,000	156,000	179,000
Human Resources	73,000	74,000	70,000
Overhead	102,000	112,000	142,000
Total	$ 1,111,000	$ 1,003,000	$ 954,000

Depreciation and Amortization

Depreciation and amortization expenses for the years ended December 31, 2004, 2003 and 2002 were approximately $8,239,000, $8,006,000 and $8,371,000, respectively. The increase of approximately $233,000, or 3%, in 2004 and the decrease of approximately $365,000, or 4%, in 2003 were not significant and are not indicative of any known trend or uncertainty. There were no material offsetting changes.

Interest and Other Income

Interest and other income for the years ended December 31, 2004 and 2003 were approximately $1,608,000 and $365,000, respectively. The increase of approximately $1,243,000 was primarily the result of a $1,500,000 settlement payment received from NTS Development Company in 2004 in relation to the litigation settlement.

Interest and other income for the years ended December 31, 2003 and 2002 were approximately $365,000 and $299,000, respectively. The increase of approximately $66,000, or 22%, was not a significant change and is not indicative of any known trend or uncertainty. There were no offsetting material changes.

Interest Expense

Interest expense for the years ended December 31, 2004 and 2003 were approximately $13,409,000 and $7,518,000 respectively. The increase of approximately $5,891,000, or 78%, was primarily the result of prepayment penalties and the disposing of loan costs not fully amortized as the result of the early extinguishment of debt at some of the commercial and multifamily properties. The increase is partially offset by decreased interest expense due to continued principal payments made on the mortgages and notes payable for some of the commercial and multifamily properties.

Interest expense for the years ended December 31, 2003 and 2002 were approximately $7,518,000 and $8,144,000, respectively. The decrease of approximately $626,000, or 8%, was primarily the result of continued principal payments on the mortgage loans by the commercial and retail properties and by one of the Partnerships for some of the multifamily properties. The decrease is also the result of additional principal payments made on a mortgage loan by one of the commercial properties. The decrease is partially offset by an $800,000 short-term mortgage loan obtained in July, 2002 by one of the commercial properties.

Loss on Disposal of Assets

Loss on disposal of assets for the years ended December 31, 2004 and 2003 were approximately $75,000 and $304,000 respectively. The decrease of approximately $229,000, or 75%, was primarily due to more retirements made in 2003 at the commercial and multifamily properties before the assets were fully depreciated than were made in 2004. The 2003 retirements were for roof replacements, tenant improvements, stair bracket replacements, and clubhouse renovation. The 2004 retirements were for tenant improvements, roof replacements and HVAC replacements.

Loss on disposal of assets for the years ended December 31, 2003 and 2002 were approximately $304,000 and $132,000 respectively. The increase of approximately $172,000 was primarily the result of retirements made at the commercial properties before the assets were fully depreciated. The 2003 retirements included tenant improvements and roof replacements. The 2002 retirements were for tenant improvements. There were no offsetting material changes.

Contractual Obligations and Commercial Commitments

The following table represents our obligations and commitments to make future payments as of December 31, 2004 under contracts, such as debt and lease agreements, and under contingent commitments, such as debt guarantees.

	Payment Due by Period				
Contractual Obligations	Total	Within One Year	One - Three Years	Three - Five Years	After 5 Years
Mortgages and notes payable	$ 112,784,462	$ 16,415,295	$ 3,352,284	$ 16,460,355	$ 76,556,528
Capital lease obligations (1)	15,476	-	15,476	-	-
Operating leases (2)	-	-	-	-	-
Other long-term obligations (3)	-	-	-	-	-
Total contractual cash obligations	$ 112,799,938	$ 16,415,295	$ 3,367,760	$ 16,460,355	$ 76,556,528

(1) The lease is for four golf carts purchased for Golf Brook Apartments and Sabal Park Apartments (two golf carts each).
(2) We are party to numerous small operating leases for office equipment such as copiers, postage machines and fax machines, which represent an insignificant obligation.
(3) We are party to several annual maintenance agreements with vendors for such items as outdoor maintenance, pool service and security systems, which represent an insignificant obligation.

	Total	Amount of Commitment Expiration Per Period			
Other Commercial Commitments	Amounts Committed	Within One Year	One – Three Years	Three – Five Years	After Five Years
Line of credit	$ -	$ -	$ -	$ -	$ -
Standby letters of credit and guarantees	-	-	-	-	-
Other commercial commitments (1)	-	-	-	-	-
Total commercial commitments	$ -	$ -	$ -	$ -	$ -

(1) We do not, as a practice, enter into long term purchase commitments for commodities or services. We may from time to time agree to "fee for service arrangements" which are for a term of greater than one year.

The following describes each of our predecessors' results of operations on a historical basis for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002. No adjustment or reconciliation is necessary to compare the period from January 1, 2004 to December 27, 2004 to the years ended December 31, 2003 and 2002 as our annual, quarterly and monthly operations were complete as of December 27, 2004.

NTS-Properties III
Results of Operations

This section describes the results of operations for NTS-Properties III (referred to in this discussion as "we," "us" or "our") for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002. We owned three commercial properties. We generate almost all of our net operating income from property operations.

Net loss for the period ended December 27, 2004 was approximately $(254,000) as compared to net income of approximately $268,000 and $408,000 for the years ended December 31, 2003 and 2002, respectively. The changes in net income or loss are described in more detail below. The following tables include certain selected summarized operating data for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002. This data should be read in conjunction with our financial statements, including the notes attached hereto.

	Period Ended December 27,	Years Ended December 31,	
	2004	2003	2002
Total revenues	$ 3,811,008	$ 3,763,880	$ 3,877,281
Operating expenses and operating expenses – affiliated	1,194,491	1,141,765	1,163,726
Depreciation and amortization	1,051,918	1,096,104	1,176,574
Total interest expense	1,104,216	433,874	495,940
Net (loss) income	(253,950)	268,144	407,586

Rental income and tenant reimbursements generated by our properties were as follows:

	Period Ended December 27,	Years Ended December 31,	
	2004	2003	2002
NTS Center	$ 1,106,207	$ 1,139,036	$ 1,307,247
Plainview Center	$ 1,340,769	$ 1,236,267	$ 1,210,020
Peachtree Corporate Center	$ 1,364,032	$ 1,388,577	$ 1,360,014

We believe the changes in rental income and tenant reimbursements from year to year are temporary effects of each property's specific mix of lease maturities and are not indicative of any known trend.

The occupancy levels at our properties were as follows:

	December 27,	December 31,	
	2004	2003	2002
NTS Center	75%	72%	85%
Plainview Center	83%	78%	71%
Peachtree Corporate Center	90%	83%	85%

We believe the changes in occupancy from year to year are temporary effects of each property's specific mix of lease maturities and are not indicative of any known trend.

The average occupancy levels at our properties were as follows:

	Period Ended December 27,	Years Ended December 31,	
	2004	2003	2002
NTS Center	74%	76%	87%
Plainview Center	80%	70%	70%
Peachtree Corporate Center	87%	84%	84%

We believe the changes in average occupancy from year to year are temporary effects of each property's specific mix of lease maturities and are not indicative of any known trend.

We are making efforts to increase the occupancy levels at our properties. The leasing and renewal negotiations for NTS Center and Plainview Center are handled by leasing agents that are employees of NTS Development Company, in Louisville, Kentucky. At Peachtree Corporate Center, in Atlanta, Georgia, we have an off-site leasing agent, who makes calls to potential tenants, negotiates lease renewals with current tenants and manages local advertising with the assistance of NTS Development Company's marketing staff located in Louisville, Kentucky.

The following discussion relating to changes in our results of operations includes only those line items within our Statements of Operations for which there was a material change between the period ended December 27, 2004 and the years ended December 31, 2003 and 2002.

Rental Income and Tenant Reimbursements

Rental income and tenant reimbursements for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002 were approximately $3,811,000, $3,764,000 and $3,877,000, respectively. The increase of approximately $47,000, or 1%, in 2004 was not a significant change and is not indicative of any known trend or uncertainty. There were no offsetting material changes. The decrease of approximately $113,000, or 3%, in 2003 was primarily due to decreased average occupancy at NTS Center. The decrease was partially offset by increased rents at Peachtree Corporate Center and Plainview Center. Rental income – affiliated was approximately $295,000 for 2004, 2003 and 2002.

Year-ending occupancy percentages represent occupancy only on a specific date; therefore, the above analysis considers average occupancy percentages which are more representative of the entire year-to-date results.

Operating Expenses and Operating Expenses – Affiliated

Our operating expenses were $862,000, $843,000 and $845,000 for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002, respectively. The increase of approximately $19,000, or 2%, for 2004 was not a significant change and is not indicative of any known trend or uncertainty. There were no offsetting material changes. The decrease of approximately $2,000 for 2003 was not a significant change and is not indicative of any known trend or uncertainty. There were no offsetting material changes.

Our operating expenses – affiliated were $333,000, $299,000 and $318,000 for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002, respectively. The increase of approximately $34,000, or 11%, for 2004 was primarily due to increased personnel costs. The decrease of approximately $19,000, or 6%, for 2003 was primarily due to decreased personnel costs.

Operating expenses – affiliated are for the services performed by employees of NTS Development Company, an affiliate of our general partner. These employee services include property management, leasing, maintenance, security and other services necessary to manage and operate our business.

Professional and Administrative Expenses and Professional and Administrative Expenses - Affiliated

Our professional and administrative expenses were $385,000, $306,000 and $119,000 for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002, respectively. The increases of approximately $79,000, or 26%, for 2004 and $187,000 for 2003 were results of costs incurred for legal and professional fees related to our merger.

Our professional and administrative expenses – affiliated were $156,000, $143,000 and $138,000 for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002, respectively. The increase of approximately $13,000, or 9%, for 2004 was the result of increased personnel costs. The increase of approximately $5,000, or 4%, for 2003 was not a significant change and is not indicative of any known trend or uncertainty. There were no offsetting material changes.

Professional and administrative expenses – affiliated are for the services performed by employees of NTS Development Company, an affiliate of our general partner. These employee services include legal, financial and other services necessary to manage and operate our business.

Professional and administrative expenses – affiliated consisted of approximately the following:

	Period Ended December 27,	Years Ended December 31,	
	2004	2003	2002
Finance	$ 40,000	$ 34,000	$ 32,000
Accounting	69,000	61,000	52,000
Investor Relations	21,000	20,000	24,000
Human Resources	11,000	11,000	11,000
Overhead	15,000	17,000	19,000
Total	$ 156,000	$ 143,000	$ 138,000

Depreciation and Amortization

Our depreciation and amortization expenses were approximately $1,052,000, $1,096,000 and $1,177,000 for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002, respectively. The decrease of approximately $44,000, or 4%, for 2004 was not significant and is not indicative of any known trend or uncertainty. There were no offsetting material changes. The decrease of $81,000, or 7%, in 2003 was the result of assets (primarily tenant improvements) becoming fully depreciated. The 2003 decrease in depreciation and amortization expense is partially offset by assets placed in service. Assets placed in service were building improvements and tenant improvements at all our properties.

Interest and Other Income

Interest and other income were approximately $217,000, $18,000 and $22,000 for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002, respectively. The increase of approximately $199,000 for 2004 was primarily due to the settlement payment received by the partnership in regards to the litigation filed by limited partners. The decrease of approximately $4,000, or 18%, for 2003 was not significant and is not indicative of any known trend or uncertainty. There were no offsetting material changes.

Interest Expense

Our interest expense was approximately $1,104,000, $434,000 and $496,000 for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002, respectively. The increase of approximately $670,000 was primarily a result of prepayment penalties paid by NTS Center due to the early payoff of the mortgage loan. The increase is partially offset by continued principal payments made by Plainview Center. The mortgage loan at Plainview Center was paid in full, prior to the maturity date, without prepayment penalties. The decrease of $62,000, or 13%, for 2003 was primarily the result of additional principal payments made in 2003 which reduced the outstanding balance on our mortgage payable secured by Plainview Center.

Liquidity and Capital Resources

The majority of our cash flow is derived from operating activities. Cash flows used in investing activities consist of amounts spent for capital improvements at our properties. Cash flows used in financing activities consist of principal payments on mortgages payable and payment of loan costs.

The following table sets forth the cash provided by or used in operating activities, investing activities and financing activities for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002.

	Period Ended December 27,	Years Ended December 31,	
	2004	2003	2002
Operating activities	$ 1,284,744	$ 1,249,181	$ 1,544,644
Investing activities	(189,422)	(469,668)	(410,360)
Financing activities	(422,845)	(987,051)	(1,100,827)
Net increase (decrease) in cash and equivalents	$ 672,477	$ (207,538)	$ 33,457

Cash Flow from Operating Activities

Net cash provided by operating activities increased from approximately $1,249,000 for the year ended December 31, 2003 to approximately $1,285,000 for the period ended December 27, 2004. The $36,000 increase is a result of improved results from operations before the effect of the pre-payment penalty paid by NTS Center.

Net cash provided by operating activities decreased from approximately $1,545,000 for the year ended December 31, 2002 to approximately $1,249,000 for the year ended December 31, 2003. The $296,000 decrease was primarily due to decreased cash available from operating results.

Cash Flow from Investing Activities

Net cash flow used in investing activities decreased from approximately $470,000 for the year ended December 31, 2003 to approximately $189,000 for the period ended December 27, 2004. The $281,000 decrease in net cash used was primarily due to a decrease in additions to land, buildings and amenities.

Net cash used in investing activities increased from approximately $410,000 for the year ended December 31, 2002 to approximately $470,000 for the year ended December 31, 2003. The $60,000 increase in net cash used was primarily due to an increase in additions to land, buildings and amenities.

Cash Flow from Financing Activities

Net cash provided by financing activities was approximately $270,000 for the period ended December 27, 2004. Net cash used in financing activities for the year ended December 31, 2003 was approximately $987,000. The change was primarily due to the payoff of the mortgages payable as a result of the merger with NTS Realty.

Net cash used in financing activities decreased from approximately $1,101,000 for the year ended December 31, 2002 to approximately $987,000 for the year ended December 31, 2003. The $114,000 decrease in net cash used was primarily due to a decrease in additional principal payments in 2003.

Due to the fact that no distributions were made during 2004, 2003 or 2002, the table which presents that portion of the distributions that represents a return of capital in accordance with GAAP has been omitted.

Future Liquidity

We believe the current occupancy levels are adequate to fund the operations of our properties. However, our future liquidity depends significantly on our properties' occupancy remaining at a level which provides for debt payments and adequate working capital, currently and in the future. If occupancy were to fall below that level and remain at or below that level for a significant period of time, our ability to make payments due under our debt agreements and to continue paying daily operational costs would be greatly impaired. In addition, we may be required to obtain financing in connection with the capital improvements and leasing costs described below.

In the next 12 months, we expect the demand on future liquidity to increase as a result of future leasing activity driven primarily by the decreased occupancy at NTS Center. There has been and will likely continue to be a protracted period for NTS Center to become fully leased again. Approximately $416,000 will be needed for leasing costs, especially those needed to refinish space for new tenants to return NTS Center to full occupancy. As of December 27, 2004, we had not made any commitments for tenant improvements at NTS Center.

In December 2004, a major tenant at NTS Center who has been seeking alternatives to renewing its expiring lease with us, renewed its lease for a term of 18 months. It is unknown at this time if this tenant will renew its lease with us beyond this 18-month commitment. This tenant is currently occupying 53,435 square feet, or 46%, of the total rentable square feet of the building, at an annual rate of $13.59 per square foot. As part of the lease renewal, this tenant's annual rate will increase to $14.50 per square foot. No capital improvements will be required.

As of December 27, 2004, we anticipate making certain building improvements in 2005 totaling approximately $108,000. These improvements include HVAC replacements at NTS Center, Plainview Center and Peachtree Corporate Center, estimated to cost $67,000, sprinkler system repairs at Peachtree Corporate Center, estimated to cost $18,000, restroom renovations at NTS Center, estimated to cost $13,000 and exterior stairwell repairs at NTS Center, estimated to cost $10,000.

We anticipate using cash provided by operations and cash reserves to fund a portion of the capital improvements and leasing costs described above. However, we believe that funding these expenses may also require existing financing or additional financing secured by our properties and there is no assurance that this financing will be available. We have no other material commitments for renovations or capital improvements as of December 27, 2004.

NTS-Properties IV
Results of Operations

This section describes our results of operations for NTS-Properties IV (referred to in this discussion as "we," "us" or "our") for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002. We owned two commercial properties, one multifamily property and had investments in five joint venture properties. We generate almost all of our net operating income from property operations. In order to evaluate our overall portfolio, management analyzes the operating performance of the properties based on operating segments, which include commercial and multifamily operations. The financial information of the operating segments has been prepared consistent with the basis and manner in which our management internally disaggregates financial information for the purpose of decision making.

Net loss for the period ended December 27, 2004 was approximately $(640,000) as compared to net income of approximately $257,000 and $82,000 for the years ended December 31, 2003 and 2002, respectively. The changes in net income or loss are described in more detail below. The following table includes our selected summarized operating data for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002. This data should be read in conjunction with our financial statements, including the notes thereto.

The following table of segment data is provided:

	Period Ended December 27, 2004			
	Multifamily	Commercial	Partnership	Total
Total revenues	$ 1,049,296	$ 1,185,651	$ -	$ 2,234,947
Operating expenses and operating expenses - affiliated	515,206	453,076	-	968,282
Depreciation and amortization	205,319	279,780	3,363	488,462
Total interest expense	536,784	15,853	-	552,637
Net (loss) income	(319,369)	299,290	(620,321)	(640,400)

	Year Ended December 31, 2003			
	Multifamily	Commercial	Partnership	Total
Total revenues	$ 1,139,765	$ 1,453,264	$ -	$ 2,593,029
Operating expenses and operating expenses - affiliated	448,463	425,633	-	874,096
Depreciation and amortization	205,406	298,393	6,116	509,915
Total interest expense	211,536	52,361	-	263,897
Net income (loss)	165,857	512,435	(420,926)	257,366

	Year Ended December 31, 2002			
	Multifamily	Commercial	Partnership	Total
Total revenues	$ 1,049,458	$ 1,334,047	$ -	$ 2,383,505
Operating expenses and operating expenses - affiliated	504,361	469,757	(2,000)	972,118
Depreciation and amortization	207,699	286,733	6,116	500,548
Total interest expense	227,071	85,134	-	312,205
Net (loss) income	(53,363)	354,527	(219,246)	81,918

During 2004, our net revenues for the multifamily segment have decreased primarily due to lower average occupancy as well as decreased rental rates at The Willows of Plainview Phase I. Net revenues for the commercial segment have decreased primarily due to decreased lease buy-out income at Plainview Point Office Center Phases I and II and decreased average occupancy at Commonwealth Business Center Phase I and Plainview Point Office Center Phases I and II. Operating expenses and operating expenses - affiliated have increased from 2003 to 2004 for both multifamily and commercial segments primarily due to personnel changes. Operating expenses and operating expenses – affiliated have decreased from 2002 to 2003 primarily as a result of decreased repairs and maintenance expenses and personnel changes for both the multifamily and commercial segments. Depreciation expense for the multifamily and commercial segments has remained relatively stable for all years presented. Interest expense for the multifamily segment increased from 2003 to 2004 primarily due to the prepayment penalty paid by The Willows of Plainview Phase I, while interest expense decreased from 2002 to 2003 primarily due to lower debt balances. Interest expense for the commercial segment has decreased primarily due to lower debt balances as well as repaying the Commonwealth Business Center Phase I loan in full in 2004. The expenses related to the litigation filed by limited partners as well as the settlement directed merger have contributed to the partnership's net losses.

Rental income and tenant reimbursements generated by our properties and joint ventures were as follows:

	Period Ended December 27, 2004	Years Ended December 31, 2003	Years Ended December 31, 2002
Wholly-Owned Properties			
Commonwealth Business Center Phase I	$ 687,926	$ 772,897	$ 741,522
Plainview Point Office Center Phases I and II	$ 497,725	$ 680,367	$ 592,525
The Willows of Plainview Phase I	$ 1,049,296	$ 1,139,765	$ 1,049,458
Joint Venture Properties (Ownership % on December 27, 2004)			
The Willows of Plainview Phase II (9.70%)	$ 1,111,361	$ 1,232,075	$ 1,225,210
Golf Brook Apartments (3.97%)	$ 2,953,352	$ 2,994,374	$ 2,960,763
Plainview Point Office Center Phase III (4.96%)	$ 736,596	$ 513,219	$ 610,958
Blankenbaker Business Center 1A (29.61%)	$ 949,011	$ 949,011	$ 951,763
Lakeshore Business Center Phase I (10.92%)	$ 1,465,488	$ 1,520,509	$ 1,557,015
Lakeshore Business Center Phase II (10.92%)	$ 1,407,525	$ 1,446,848	$ 1,390,591
Lakeshore Business Center Phase III (10.92%)	$ 600,429	$ 409,107	$ 289,816

We believe the changes in rental income and tenant reimbursements from year to year are temporary effects of each property's specific mix of lease maturities and are not indicative of any known trend, except for Plainview Point Office Center Phase III where there has been a protracted period for the property to become fully leased again and Lakeshore Business Center Phase III where rental income and tenant reimbursements have gradually increased at this recently constructed property.

The occupancy levels at our properties and joint ventures were as follows:

	December 27, 2004	December 31, 2003	December 31, 2002
Wholly-Owned Properties			
Commonwealth Business Center Phase I	53%	88%	91%
Plainview Point Office Center Phases I and II	66%	72%	86%
The Willows of Plainview Phase I	80%	91%	92%
Joint Venture Properties (Ownership % on December 27, 2004)			
The Willows of Plainview Phase II (9.70%)	74%	82%	89%
Golf Brook Apartments (3.97%)	98%	93%	88%
Plainview Point Office Center Phase III (4.96%)	91%	52%	51%
Blankenbaker Business Center 1A (29.61%)	100%	100%	100%
Lakeshore Business Center Phase I (10.92%)	66%	71%	71%
Lakeshore Business Center Phase II (10.92%)	75%	79%	81%
Lakeshore Business Center Phase III (10.92%)	100%	89%	37%

We believe the changes in occupancy from year to year are temporary effects of each property's specific mix of lease maturities and are not indicative of any known trend, except for Plainview Point Office Center Phase III where there has been a protracted period for the property to become fully leased again and Lakeshore Business Center Phase III where occupancy has gradually increased at this recently constructed property.

The average occupancy levels at our properties and joint ventures were as follows:

	Period Ended December 27,	Years Ended December 31,	
	2004	2003	2002
Wholly-Owned Properties			
Commonwealth Business Center Phase I	82%	91%	87%
Plainview Point Office Center Phases I and II	73%	84%	86%
The Willows of Plainview Phase I	86%	93%	85%
Joint Venture Properties (Ownership % on December 27, 2004)			
The Willows of Plainview Phase II (9.70%)	80%	85%	85%
Golf Brook Apartments (3.97%)	96%	93%	91%
Plainview Point Office Center Phase III (4.96%)	74%	50%	55%
Blankenbaker Business Center 1A (29.61%)	100%	100%	100%
Lakeshore Business Center Phase I (10.92%)	71%	70%	80%
Lakeshore Business Center Phase II (10.92%)	77%	81%	84%
Lakeshore Business Center Phase III (10.92%)	91%	59%	36%

We believe the changes in average occupancy from year to year are temporary effects of each property's specific mix of lease maturities and are not indicative of any known trend, except for Plainview Point Office Center Phase III where there has been a protracted period for the property to become fully leased again and Lakeshore Business Center Phase III where average occupancy has gradually increased at this recently constructed property.

We are making efforts to increase the occupancy levels at our commercial properties. The leasing and renewal negotiations at the Lakeshore Business Center development are conducted by an employee of NTS Development Company, who makes calls to potential tenants and negotiates lease renewals with current tenants. The leasing and renewal negotiations for our remaining commercial properties are managed by leasing agents that are employees of NTS Development Company in Louisville, Kentucky. The leasing agents are located in the same city as commercial properties. All advertising for these properties is coordinated by NTS Development Company's marketing staff located in Louisville, Kentucky. In an effort to continue to improve occupancy at our multifamily properties, we have an on-site leasing staff that are employees of NTS Development Company, at each of the multifamily communities. The staff facilitates all on-site visits from potential tenants, coordinates local advertising with NTS Development Company's marketing staff, makes visits to local companies to promote fully furnished units and negotiates lease renewals with current residents.

The following discussion relating to changes in our results of operations includes only those line items within our Statements of Operations for which there was a material change between the period ended December 27, 2004 and the years ended December 31, 2003 and 2002.

Rental Income and Tenant Reimbursements

Rental income and tenant reimbursements for the period ended December 27, 2004 and the year ended December 31, 2003 were approximately $2,235,000 and $2,593,000, respectively. The decrease of approximately $358,000, or 14%, was primarily the result of decreased lease buy-out income at Plainview Point Office Center Phases I and II as well as decreased average occupancy at Plainview Point Office Center Phases I and II, Commonwealth Business Center Phase I and The Willows of Plainview Phase I.

Rental income and tenant reimbursements for the years ended December 31, 2003 and 2002 were approximately $2,593,000 and $2,384,000, respectively. The increase of approximately $209,000, or 9%, was primarily the result of increased occupancy at The Willows of Plainview Phase I and Commonwealth Business Center Phase I as well as increased lease buy-out income at Plainview Point Office Center Phases I and II.

Year end occupancy percentages represent occupancy only on a specific date; therefore, the above analysis considers average occupancy percentages, which are more representative of the entire year's results.

Operating Expenses and Operating Expenses – Affiliated

Operating expenses for the period ended December 27, 2004 and the year ended December 31, 2003 were approximately $495,000 and $500,000, respectively. The decrease of approximately $5,000, or 1%, was not significant and is not indicative of any know trend of uncertainty. There were no offsetting material changes.

Operating expenses for the years ended December 31, 2003 and 2002 were approximately $500,000 and $558,000, respectively. The decrease of approximately $58,000, or 10%, was primarily the result of decreased repairs and maintenance expenses, landscaping and cleaning expenses at The Willows of Plainview Phase I and Plainview Point Office Center Phases I and II and decreased advertising expense at The Willows of Plainview Phase I.

Operating expenses – affiliated for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002 were approximately $474,000, $374,000 and $414,000, respectively. The increase of approximately $100,000, or 27%, from the year ended December 31, 2003 to the period ended December 27, 2004 and the decrease of approximately $40,000, or 10%, from the year ended December 31, 2002 to the year ended December 31, 2003 were primarily due to changes in personnel costs.

Operating expenses – affiliated are for services performed by employees of NTS Development Company, an affiliate of our general partner. These employee services include property management, leasing, maintenance, security and other services necessary to manage and operate our business.

Professional and Administrative Expenses and Professional and Administrative Expenses – Affiliated

Professional and administrative expenses for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002 were approximately $618,000, $390,000 and $154,000, respectively. The increase of approximately $228,000, or 58%, from the year ended December 31, 2003 to the period ended December 27, 2004 and the increase of approximately $236,000 from the year ended December 31, 2002 to the year ended December 31, 2003 were primarily the result of increased legal and professional fees incurred in relation to the litigation filed by limited partners and the settlement directed merger.

Professional and administrative expenses – affiliated for the period ended December 27, 2004 and the year ended December 31, 2003 were approximately $166,000 and $147,000, respectively. The increase of approximately $19,000, or 13%, was primarily the result of personnel changes.

Professional and administrative expenses – affiliated for the years ended December 31, 2003 and 2002 were approximately $147,000 and $144,000, respectively. The increase of approximately $3,000, or 2%, was not significant and is not indicative of any known trend or uncertainty. There were no offsetting material changes.

Professional and administrative expenses – affiliated are for services performed by employees of NTS Development Company, an affiliate of our general partner. These employee services include legal, financial and other services necessary to manage and operate our business.

Professional and administrative expenses – affiliated consisted of the following:

	Period Ended December 27,	Years Ended December 31,	
	2004	2003	2002
Finance	$ 41,000	$ 34,000	$ 33,000
Accounting	78,000	64,000	53,000
Investor Relations	21,000	21,000	24,000
Human Resources	11,000	11,000	11,000
Overhead	15,000	17,000	23,000
Total	$ 166,000	$ 147,000	$ 144,000

Depreciation and Amortization Expense

Depreciation and amortization expense for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002 were approximately $488,000, $510,000 and $501,000 respectively. The decrease of approximately $22,000, or 4%, from the year ended December 31, 2003 to the period ended December 27, 2004 and the increase of approximately $9,000, or 2%, from the year ended December 31, 2002 to the year ended December 31, 2003 were not significant and are not indicative of any known trend or uncertainty. There were no offsetting material changes.

Interest and Other Income

Interest and other income for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002 was approximately $212,000, $8,000 and $8,000, respectively. The increase of approximately $204,000 from the year ended December 31, 2003 to the period ended December 27, 2004 was primarily due to the settlement payment received by the partnership in regards to the litigation filed by limited partners. Interest and other income did not change between the years ended December 31, 2003 and 2002. There were no offsetting material changes.

Interest Expense

Interest expense for the period ended December 27, 2004 and the year ended December 31, 2003 was approximately $553,000 and $264,000, respectively. The increase of approximately $289,000 was primarily the result of prepayment penalties paid by The Willows of Plainview Phase I in relation to the early payoff of their mortgage.

Interest expense for the years ended December 31, 2003 and 2002 were approximately $264,000 and $312,000, respectively. The decrease of approximately $48,000, or 15%, was the result of principal payments made reducing the outstanding balances on the Commonwealth Business Center Phase I and The Willows of Plainview Phase I mortgages.

Loss on Disposal of Assets

The loss on disposal of assets for the period ended December 27, 2004 was primarily due to the retirement of assets at The Willows of Plainview Phase I that were not fully depreciated as well as a roof replacement at Plainview Point Office Center Phases I and II. The loss on disposal of assets for the year ended December 31, 2003 can be attributed to the retirement of assets at Plainview Point Office Center Phases I and II, primarily as the result of the roof replacement and tenant improvements. The loss on disposal of assets for the year ended December 31, 2002 can be attributed to the retirement of assets at The Willows of Plainview Phase I, primarily as the result of clubhouse renovations. The loss represents the cost to retire assets which were not fully depreciated at the time of replacement.

Income or Loss from Investment in Joint Ventures

Income or loss from investment in joint ventures for the period ended December 27, 2004 and the year ended December 31, 2003 was approximately $(37,000) and $119,000, respectively. The decrease of approximately $156,000 was primarily due to increased net loss for the Lakeshore/University II Joint Venture and decreased net income at The Willows of Plainview Phase II, Blankenbaker Business Center 1A and Golf Brook Apartments. The decrease is partially offset by decreased net loss at Plainview Point Office Center Phase III.

Income from investment in joint ventures for the year ended December 31, 2003 and 2002 was approximately $119,000 and $82,000, respectively The increase of approximately $37,000, or 45%, was primarily the result of decreased net loss from the Lakeshore/University II Joint Venture and increased net income from The Willows of Plainview Phase II, partially offset by decreased net income from Blankenbaker Business Center 1A.

Liquidity and Capital Resources

The majority of our cash flow is derived from operating activities. Cash flows provided by investing activities consist of our investment in joint ventures. Cash flows used in financing activities consist of principal payments on mortgages payable and payment of loan costs.

The following table illustrates our cash flows used in or provided by operating activities, investing activities and financing activities:

	Period Ended December 27, 2004	Years Ended December 31, 2003	Years Ended December 31, 2002
Operating activities	$ 451,170	$ 771,734	$ 649,224
Investing activities	12,088	(74,294)	(334,894)
Financing activities	(566,573)	(604,929)	(570,708)
Net (decrease) increase in cash and equivalents	$ (103,315)	$ 92,511	$ (256,378)

Cash Flow from Operating Activities

Net cash provided by operating activities decreased from approximately $772,000 for the year ended December 31, 2003 to approximately $451,000 for the period ended December 27, 2004. The decrease of approximately $321,000 was primarily due to decreased net income from operations as a result of increased expenses associated with litigation filed by limited partners and settlement directed merger costs. The decrease is partially offset by increased cash distributions from our investment in joint ventures.

Net cash provided by operating activities increased from approximately $649,000 for the year ended December 31, 2002 to approximately $772,000 for the year ended December 31, 2003. The increase of approximately $123,000 was primarily due to increased accounts payable related to amounts due for legal and professional services related to our litigation filed by limited partners and the merger and increased net income from operations.

Cash Flow from Investing Activities

Net cash provided by investing activities was approximately $12,000 for the period ended December 27, 2004. Net cash used in investing activities was approximately $74,000 for the year ended December 31, 2003. The change was primarily the result of increases in cash flows from our joint venture investments.

Net cash used in investing activities decreased from approximately $335,000 for the year ended December 31, 2002 to approximately $74,000 for the year ended December 31, 2003. The decrease of approximately $261,000 was primarily the result of decreased capital expenditures at our multifamily properties and changes in cash flows from our joint venture investments.

Cash Flow from Financing Activities

Net cash used in financing activities decreased from approximately $605,000 for the year ended December 31, 2003 to approximately $567,000 for the period ended December 27, 2004. The decrease of approximately $38,000 was primarily the result of the payoff of The Willows of Plainview Phase I mortgages as a result of the merger with NTS Realty.

Net cash used in financing activities increased from approximately $571,000 for the year ended December 31, 2002 to approximately $605,000 for the year ended December 31, 2003. The increase of approximately $34,000 was the result of continued principal payments made on The Willows of Plainview Phase I and Commonwealth Business Center Phase I mortgages.

Due to the fact that no distributions were made during 2004, 2003 or 2002, the table which presents that portion of the distribution that represents a return of capital based on GAAP has been omitted.

Future Liquidity

We believe the current occupancy levels are adequate to fund the operations of our properties. However, our future liquidity depends significantly on our properties' occupancy remaining at a level which provides for adequate working capital, currently and in the future. If occupancy were to fall below that level and remain at or below that level for a significant period of time, our ability to continue paying daily operational costs would be greatly impaired. In addition, we may be required to obtain financing in connection with the capital improvements and leasing costs described below.

Currently, our plans for renovations and other major capital expenditures include tenant improvements at our commercial properties as required by lease negotiations at these properties. Changes to current tenant improvements are a typical part of any lease negotiation. Improvements generally include a revision to the current floor plan to accommodate a tenant's needs, new carpeting and paint and/or wallcovering. The extent and cost of the improvements are determined by the size of the space being leased and whether the improvements are for a new tenant or incurred because of a lease renewal.

Over the next 12 months we have planned various building improvements, land improvements and repair projects for both multifamily and commercial segments. At Commonwealth Business Center Phase I, The Willows of Plainview Phase I and Plainview Point Office Center Phases I and II we plan to perform HVAC replacements for an estimated cost of approximately $16,000, $16,000 and $13,000, respectively. At Plainview Point Office Center Phases I and II we plan to replace a stairway for an estimated cost of approximately $10,000 and upgrade the security system for an estimated cost of approximately $8,000. At The Willows of Plainview Phase I we plan to replace the exterior steps of several buildings for an estimated cost of approximately $68,000 and lay patios for each townhouse for an estimated cost of approximately $10,000.

A major tenant at Commonwealth Business Center Phase I, who occupied 40,079 square feet, or 48% of the building, vacated their space at the end of their lease term, which expired November 9, 2004. This vacancy left Commonwealth Business Center Phase I with occupancy of only 53% at December 27, 2004. This vacancy may significantly impact our liquidity and could result in significant costs, currently estimated to be approximately $328,000, to refurbish the vacated space and locate new tenants. It is estimated that an additional $67,000 will be needed for tenant improvements in order to bring the building up to full occupancy and retain existing tenants.

As of December 22, 2004, we have a commitment from a tenant to lease approximately 15,000 square feet of Commonwealth Business Center Phase I. The lease agreement calls for tenant improvements, estimated to cost approximately $306,000. As of December 27, 2004 no cost has been incurred for these tenant improvements.

We have also planned various building improvements, land improvements and repair projects at our joint venture properties for both the multifamily and commercial segments. At Lakeshore Business Center Phase I we plan to renovate two restrooms for an estimated cost of approximately $100,000, replace the corridor wallpaper and carpet for an estimated cost of approximately $60,000 and repaint the exterior of both buildings for an estimated cost of approximately $30,000. At Lakeshore Business Center Phases I and II as well as The Willows of Plainview Phase II we plan to perform HVAC replacements at an estimated cost of approximately $36,000, $16,000 and $16,000, respectively. At Lakeshore Business Center Phases I and II we also plan to install interior and exterior cameras with wireless technology for an estimated cost of approximately $15,000 and $14,000, respectively. At The Willows of Plainview Phase II we plan to replace the exterior steps of several buildings at an estimated cost of approximately $83,000, perform sidewalk repairs for an estimated cost of approximately $13,000 and upgrade the security alarms for an estimated cost of approximately $4,000. At Golf Brook Apartments we plan to replace heat pumps for an estimated cost of approximately $26,000, install new sprinklers for a portion of the property for an estimated cost of approximately $10,000, purchase new pool furniture for an estimated cost of approximately $8,000, perform a HVAC replacement and install a new wood floor, all in the clubhouse, for an estimated cost of approximately $4,000 and $4,000, respectively. At Plainview Point Office Center Phase III we plan to replace the front entry steps for an estimated cost of approximately $10,000 and upgrade the security system for an estimated cost of approximately $9,000.

As of November 11, 2004, we have a lease renewal commitment from a tenant at Lakeshore Business Center Phase II to continue leasing approximately 4,000 square feet. The commitment calls for tenant improvements, estimated to cost approximately $46,000, of which our share is approximately $5,000. As of December 27, 2004, approximately $19,000 of the tenant improvements have been incurred, of which our share is approximately $2,000.

On November 22, 2004, a tenant took occupancy of approximately 4,000 square feet of Lakeshore Business Center Phase III, which brought the building up to 100% occupancy at December 27, 2004.

The demands on liquidity as discussed above will be managed by our general partner using cash provided by operations, cash reserves, existing financing or additional financing secured by our properties. Typically, these capital improvements and leasing costs require use of existing financing or additional financing. There can be no guarantee that such funds will be available at which time our general partner will manage the demand on liquidity according to our best interest.

Leases at Commonwealth Business Center Phase I, Blankenbaker Business Center 1A and Lakeshore Business Center Phases I, II and III provide for tenants to contribute toward the payment of common area maintenance expenses, insurance and real estate taxes. Leases at Plainview Point Office Center Phases I, II and III provide for tenants to contribute toward the payment of common area maintenance expenses, insurance, utilities and real estate taxes. These lease provisions, along with the fact that multifamily leases are generally for a period of one year, provide limited protection to our operations from the impact of inflation and changing prices.

We had no other material commitments for renovations or capital improvements as of December 27, 2004.

NTS-Properties V
Results of Operations

This section describes our results of operations for NTS-Properties V (referred to in this discussion as "we," "us" or "our") for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002. We owned one commercial property and had investments in four joint venture properties. We generate almost all of our net operating income from property operations. In order to evaluate our overall portfolio, management analyzes the operating performance of the properties based on operating segments, which include commercial and multifamily operations. The financial information of the operating segments has been prepared consistent with the basis and manner in which our management internally disaggregates financial information for the purpose of decision making.

Net loss for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002 was approximately $(1,931,000), $(662,000) and $(684,000), respectively. The changes in net loss are described in more detail below. The following table includes our selected summarized operating data for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002. This data should be read in conjunction with our financial statements, including the notes thereto.

The following table of segment data is provided:

	Period Ended December 27, 2004			
	Multifamily	Commercial	Partnership	Total
Total revenues	$ 1,111,361	$ 3,876,319	$ -	$ 4,987,680
Operating expenses and operating expenses – affiliated	577,331	1,642,978	-	2,220,309
Depreciation and amortization	258,567	1,049,785	15,074	1,323,426
Total interest expense	704,842	1,282,782	93,326	2,080,950
Net loss	(548,923)	(777,008)	(605,376)	(1,931,307)

	Year Ended December 31, 2003			
	Multifamily	Commercial	Partnership	Total
Total revenues	$ 1,232,075	$ 3,849,055	$ -	$ 5,081,130
Operating expenses and operating expenses – affiliated	504,459	1,503,159	-	2,007,618
Depreciation and amortization	228,427	995,648	18,619	1,242,694
Total interest expense	278,086	678,678	20,362	977,126
Net income (loss)	101,020	36,307	(799,591)	(662,264)

	Year Ended December 31, 2002			
	Multifamily	Commercial	Partnership	Total
Total revenues	$ 1,225,210	$ 3,781,385	$ -	$ 5,006,595
Operating expenses and operating expenses – affiliated	593,838	1,551,296	(2,000)	2,143,134
Depreciation and amortization	226,011	1,094,496	18,619	1,339,126
Total interest expense	298,498	720,638	20,362	1,039,498
Net loss	(75,047)	(248,447)	(360,493)	(683,987)

During 2004, our net revenues for the multifamily segment have decreased primarily due to decreased average occupancy and a decrease in the average rental rate per unit. Net revenues for the commercial segment have increased primarily due to higher average occupancy at Lakeshore Business Center Phase III as a result of our efforts to lease this recently constructed property. The increase is partially offset by a decrease in lease-buy-out income at Lakeshore Business Center Phases I and II and a decrease in average occupancy at Commonwealth Business Center Phase II, where we have not been successful in renewing several tenants' expired leases. We continue our leasing efforts by seeking new tenants for this property. Operating expenses and operating expenses – affiliated have increased for the multifamily segment primarily due to increased repairs and maintenance expenses and changes in personnel. Operating expenses and operating expenses – affiliated have increased for the commercial segment primarily due to increased bad debt expense at Lakeshore Business Center Phases I and II and changes in personnel at Commonwealth Business Center Phase II. Depreciation expense has increased for both the multifamily and commercial segments as the result of fixed asset additions. Interest expense has increased at both the multifamily and commercial segments as the result of prepayment penalties paid by The Willows of Plainview Phase II and Lakeshore Business Center Phases I and II for the early payoff of each of their mortgages. The expenses related to our ongoing litigation and proposed merger have negatively impacted our partnership's net losses.

Rental income and tenant reimbursements generated by our properties and joint ventures were as follows:

	Period Ended December 27,	Years Ended December 31,	
	2004	2003	2002
Wholly-Owned Properties			
Commonwealth Business Center Phase II	$ 402,877	$ 472,591	$ 543,963
Joint Venture Properties (Ownership % on December 27, 2004)			
The Willows of Plainview Phase II (90.30%)	$ 1,111,361	$ 1,232,075	$ 1,225,210
Lakeshore Business Center Phase I (81.19%)	$ 1,465,488	$ 1,520,509	$ 1,557,015
Lakeshore Business Center Phase II (81.19%)	$ 1,407,525	$ 1,446,848	$ 1,390,591
Lakeshore Business Center Phase III (81.19%)	$ 600,429	$ 409,107	$ 289,816

We believe the changes in rental income and tenant reimbursements from year to year are temporary effects of each property's specific mix of lease maturities and are not indicative of any known trend, except as described above for Commonwealth Business Center Phase II and Lakeshore Business Center Phase III.

The occupancy levels at our properties and joint ventures were as follows:

	December 27,	December 31,	
	2004	2003	2002
Wholly-Owned Properties			
Commonwealth Business Center Phase II	56%	62%	73%
Joint Venture Properties (Ownership % on December 27, 2004)			
The Willows of Plainview Phase II (90.30%)	74%	82%	89%
Lakeshore Business Center Phase I (81.19%)	66%	71%	71%
Lakeshore Business Center Phase II (81.19%)	75%	79%	81%
Lakeshore Business Center Phase III (81.19%)	100%	89%	37%

We believe the changes in occupancy from year to year are temporary effects of each property's specific mix of lease maturities and are not indicative of any known trend, except as described above for Commonwealth Business Center Phase II and Lakeshore Business Center Phase III.

The average occupancy levels at our properties and joint ventures were as follows:

	Period Ended December 27, 2004	Years Ended December 31, 2003	2002
Wholly-Owned Properties			
Commonwealth Business Center Phase II	60%	67%	77%
Joint Venture Properties (Ownership % on December 27, 2004)			
The Willows of Plainview Phase II (90.30%)	80%	85%	85%
Lakeshore Business Center Phase I (81.19%)	71%	70%	80%
Lakeshore Business Center Phase II (81.19%)	77%	81%	84%
Lakeshore Business Center Phase III (81.19%)	91%	59%	36%

We believe the changes in average occupancy from year to year are temporary effects of each property's specific mix of lease maturities and are not indicative of any known trend, except as described above for Commonwealth Business Center Phase II and Lakeshore Business Center Phase III.

We are making efforts to increase the occupancy levels at our properties. At Commonwealth Business Center Phase II, the leasing and renewal negotiations are conducted by leasing agents that are employees of NTS Development Company in Louisville, Kentucky. The leasing agents are located in the same city as the property. All advertising is coordinated by NTS Development Company's marketing staff located in Louisville, Kentucky. The leasing and renewal negotiations at Lakeshore Business Center Phases I, II and III are managed by an employee of NTS Development Company. At The Willows of Plainview Phase II, we have an on-site leasing staff that are employees of NTS Development Company, who facilitate all on-site visits from potential tenants, make visits to local companies to promote fully furnished apartments, negotiate lease renewals with current residents and coordinate all local advertising with NTS Development Company's marketing staff.

The following discussion relating to changes in our results of operations includes only those line items within our Statements of Operations for which there was a material change between the period ended December 27, 2004 and the years ended December 31, 2003 and 2002.

Rental Income and Tenant Reimbursements

Rental income and tenant reimbursements for the period ended December 27, 2004 and the year ended December 31, 2003 were approximately $4,988,000 and $5,081,000, respectively. The decrease of approximately $93,000, or 2%, was primarily the result of decreased lease buy-out income at Lakeshore Business Center Phases I and II as well as decreased average occupancy at The Willows of Plainview Phase II and Commonwealth Business Center Phase II. The decrease is partially offset by increased average occupancy at Lakeshore Business Center Phase III.

Rental income and tenant reimbursements for the years ended December 31, 2003 and 2002 were approximately $5,081,000 and $5,007,000, respectively. The increase of approximately $74,000, or 1%, was not a significant change and is not indicative of any known trend or uncertainty. There were no offsetting material changes.

Year end occupancy percentages represent occupancy only on a specific date; therefore, the above analysis considers average occupancy percentages, which are more representative of the entire year's results.

Operating Expenses and Operating Expenses – Affiliated

Operating expenses for the period ended December 27, 2004 and the year ended December 31, 2003 were approximately $1,591,000 and $1,435,000, respectively. The increase of approximately $156,000, or 11%, was primarily due to increased bad debt expenses at Lakeshore Business Center Phases I and II. The increase can also be attributed to increased repairs and maintenance expenses at The Willows of Plainview Phase II and Lakeshore Business Center Phases I, II and III and an increase in cleaning expenses and exterior landscaping at Lakeshore Business Center Phases I, II and III. The increase is partially offset by a decrease in insurance expense at Lakeshore Business Center Phases I, II and III, a decrease in exterior landscaping at The Willows of Plainview Phase II and Commonwealth Business Center Phase II and a decrease in non-recoverable professional services at Commonwealth Business Center Phase II and Lakeshore Business Center Phases II and III in relation to legal costs at the property level.

Operating expenses for the years ended December 31, 2003 and 2002 were approximately $1,435,000 and $1,468,000, respectively. The decrease of approximately $33,000, or 2%, was not a significant change and is not indicative of any known trend or uncertainty. There were no offsetting material changes.

Operating expenses - affiliated for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002 were approximately $629,000, $572,000 and $675,000, respectively. The increase of approximately $57,000, or 10%, from the year ended December 31, 2003 to the period ended December 27, 2004 and the decrease of approximately $103,000, or 15%, from the year ended December 31, 2002 to the year ended December 31, 2003 were both the result of changes in personnel costs.

Operating expenses – affiliated are for services performed by employees of NTS Development Company, an affiliate of our general partner. These employee services include property management, leasing, maintenance and other services necessary to manage and operate our business.

Professional and Administrative Expenses and Professional and Administrative Expenses – Affiliated

Professional and administrative expenses for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002 were approximately $845,000, $661,000 and $233,000, respectively. The increase of approximately $184,000, or 28%, from the year ended December 31, 2003 to the period ended December 27, 2004 and the increase of approximately $428,000 from the year ended December 31, 2002 to the year ended December 31, 2003 was primarily the result of increased legal and professional fees in relation to the litigation filed by limited partners and the settlement directed merger.

Professional and administrative expenses – affiliated for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002 were approximately $212,000, $187,000 and $168,000, respectively. The increase of approximately $25,000, or 13%, from the year ended December 31, 2003 to the period ended December 27, 2004 and the increase of approximately $19,000, or 11%, from the year ended December 31, 2002 to the year ended December 31, 2003 was primarily the result of increased salary costs.

Professional and administrative expenses – affiliated are for services performed by employees of NTS Development Company, an affiliate of our general partner. These employee services include legal, financial and other services necessary to manage and operate our business.

Professional and administrative expenses – affiliated consisted of approximately the following:

	Period Ended December 27, 2004	Years Ended December 31, 2003	Years Ended December 31, 2002
Finance	$ 50,000	$ 41,000	$ 40,000
Accounting	105,000	86,000	58,000
Investor Relations	25,000	26,000	29,000
Human Resources	13,000	13,000	12,000
Overhead	19,000	21,000	29,000
Total	$ 212,000	$ 187,000	$ 168,000

Depreciation and Amortization Expense

Depreciation and amortization expense for the period ended December 27, 2004 and the year ended December 31, 2003 was approximately $1,323,000 and $1,243,000, respectively. The increase of approximately $80,000, or 6%, was not significant and is not indicative of any known trend or uncertainty. There were no offsetting material changes.

Depreciation and amortization expense for the years ended December 31, 2003 and 2002 was approximately $1,243,000 and $1,339,000, respectively. The decrease of approximately $96,000, or 7%, was primarily due to a change in estimate, by management, of the useful lives of the Lakeshore Business Center Phase I roofs from 30 years to 16.5 years in anticipation of replacing the roofs. The roofs became fully depreciated in December 2002.

Interest and Other Income

Interest and other income for the period ended December 27, 2004 and the year ended December 31, 2003 was approximately $375,000 and $127,000, respectively. The increase of approximately $248,000 was primarily due to the settlement payment received by the partnership in regards to the litigation filed by limited partners.

Interest and other income for the years ended December 31, 2003 and 2002 was approximately $127,000 and $28,000, respectively. The increase of approximately $99,000 was primarily the result of a reimbursement received in 2003 in relation to the litigation filed by limited partners.

Interest Expense

Interest expense for the period ended December 27, 2004 and the year ended December 31, 2003 was approximately $2,081,000 and $977,000, respectively. The increase of approximately $1,104,000 was primarily the result of prepayment penalties paid by The Willows of Plainview Phase II and Lakeshore Business Center Phases I and II for the early payoff of each of their mortgages.

Interest expense for the years ended December 31, 2003 and 2002 was approximately $977,000 and $1,039,000, respectively. The decrease of approximately $62,000, or 6%, was not a significant change and is not indicative of any known trend or uncertainty. There were no offsetting material changes.

Liquidity and Capital Resources

The majority of our cash flow is derived from operating activities. Cash flows used in investing activities consist of amounts spent for capital improvements at our properties. Cash flows provided by financing activities consist of advances to payoff mortgages payable.

The following table illustrates our cash flows provided by or used in operating activities, investing activities and financing activities:

	Period Ended December 27, 2004	Years Ended December 31, 2003	2002
Operating activities	$ 463,347	$ 798,627	$ 335,459
Investing activities	(417,350)	(858,537)	(502,135)
Financing activities	78,059	15,430	(279,971)
Net increase (decrease) in cash and equivalents	$ 124,056	$ (44,480)	$ (446,647)

Cash Flow from Operating Activities

Net cash provided by in operating activities was approximately $463,000 for the period ended December 27, 2004, as compared to the year ended December 31, 2003 when operating activities provided approximately $799,000. The change was primarily due to increased net operating loss which was negatively impacted by the costs of the ongoing litigation filed by limited partners, settlement directed merger costs and reimbursements of salary and overhead expenses due to NTS Development Company.

Net cash provided by operating activities increased from approximately $335,000 for the year ended December 31, 2002 to approximately $799,000 for the year ended December 31, 2003. The increase of approximately $464,000 was primarily due to the change in accounts payable and accounts payable - affiliate. This was due to our outstanding payables for professional services related to our litigation filed by limited partners and pending merger as well as reimbursements of salary and overhead expenses due to NTS Development Company.

Cash Flow from Investing Activities

Net cash flow used in investing activities was approximately $859,000 for the year ended December 31, 2003, as compared to approximately $417,000 for the period ended December 27, 2004. The decrease of approximately $442,000 was primarily due to decreased capital expenditures at Lakeshore Business Center Phase III.

Net cash flow used in investing activities increased from approximately $502,000 for the year ended December 31, 2002 to approximately $859,000 for the year ended December 31, 2003. The increase of approximately $357,000 was primarily the result of decreased investments in consolidated joint ventures by minority partners and increased capital expenditures for tenant improvements costs.

Cash Flow from Financing Activities

Net cash flow provided by financing activities increased to approximately $78,000 from $15,000 for the period ended December 27, 2004 and the year ended December 31, 2003, respectively. The increase was primarily due to refinancing existing debt as a result of the merger with NTS Realty.

Net cash flow provided by financing activities was approximately $15,000 for the year ended December 31, 2003. For the year ended December 31, 2002, we used approximately $280,000 in net cash for financing activities. The increase in cash was primarily the result of refinancing the existing loans at Lakeshore Business Center Phases I and II and obtaining new financing for the construction loan at Lakeshore Business Center Phase III.

Due to the fact that no distributions were made during 2004, 2003 or 2002, the table which presents that portion of the distributions that represents a return of capital based on GAAP has been omitted.

Future Liquidity

Our future liquidity depends significantly on our properties' occupancy remaining at a level which provides for debt payments and adequate working capital, currently and in the future. If occupancy were to fall below that level and remain at or below that level for a significant period of time, our ability to make payments due under our debt agreements and to continue paying daily operational costs would be greatly impaired. In addition, we may be required to obtain financing in connection with the capital improvements and leasing costs described below.

Currently, our plans for renovations and other major capital expenditures include tenant improvements at our commercial properties as required by lease negotiations at these properties. Changes to current tenant improvements are a typical part of any lease negotiation. Improvements generally include a revision to the current floor plan to accommodate a tenant's needs, new carpeting and paint and/or wallcovering. The extent and cost of the improvements are determined by the size of the space being leased and whether the improvements are for a new tenant or incurred because of a lease renewal.

At Commonwealth Business Center Phase II, approximately $71,000 in tenant improvements will be needed to return the building to full occupancy and retain existing tenants. We also have a commitment from a tenant to provide improvements on approximately 3,000 square feet estimated to cost approximately $30,000. Capital improvements at Commonwealth Business Center Phase II also include HVAC replacements estimated to cost approximately $16,000. At Lakeshore Business Center Phase I we plan to renovate the restrooms for an estimated cost of approximately $100,000, repaint the exterior of the building for an estimated cost of approximately $30,000, replace the wall covering and carpet in the corridors for an estimated cost of approximately $60,000, provide HVAC replacements for an estimated cost of approximately $36,000, and install interior and exterior cameras with wireless technology for an estimated cost of approximately $15,000. We also plan to renovate four vacant suites (total of approximately 13,000 square feet) for an estimated cost of approximately $101,000. At Lakeshore Business Center Phase II we plan to provide HVAC replacements for an estimated cost of approximately $16,000 and install interior and exterior cameras with wireless technology for an estimated cost of approximately $14,000. We also plan to renovate two vacant suites (total of approximately 3,000 square feet) for an estimated cost of approximately $35,000. We also have a commitment from a tenant to provide improvements on approximately 4,000 square feet estimated to cost approximately $46,000. As of December 27, 2004 approximately $19,000 of this cost has been incurred. At December 27, 2004 there are no plans for any capital expenditures at Lakeshore Business Center Phase III. On November 22, 2004, a tenant took occupancy of approximately 4,000 square feet of Lakeshore Business Center Phase III, which brought the building up to 100% occupancy at December 27, 2004. At The Willows of Plainview Phase II we plan to replace the exterior staircases for an estimated cost of approximately $83,000, repair the sidewalks for an estimated cost of approximately $13,000, provide HVAC replacements for an estimated cost of approximately $16,000 and upgrade the security alarms for an estimated cost of approximately $4,000.

The demands on liquidity as discussed above will be managed by our general partner using cash provided by operations, cash reserves, deferral of amounts owed to NTS Development Company and existing or additional financing secured by our properties. Typically, these capital improvements and leasing costs require use of existing financing or additional financing. There can be no guarantee that such funds will be available at which time our general partner will manage the demand on liquidity according to our best interest.

Leases at our commercial properties provide for tenants to contribute toward the payment of common area maintenance expenses, insurance and real estate taxes. These lease provisions, along with the fact that multifamily leases are generally for a period of one year, provide limited protection to our operations from the impact of inflation and changing prices.

We have no other material commitments for renovations or capital improvements as of December 27, 2004.

NTS-Properties VI
Results of Operations

This section describes our results of operations for NTS-Properties VI (referred to in this discussion as "we," "us" or "our") for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002. We owned four multifamily properties and had investments in two joint venture properties. We generate almost all of our net operating income from property operations. In order to evaluate our overall portfolio, management analyzes the operating performance of the properties based on operating segments, which include commercial and multifamily operations. The financial information of the operating segments has been prepared consistent with the basis and manner in which our management internally disaggregates financial information for the purpose of decision making.

Net loss for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002 was approximately $(1,985,000), $(1,507,000) and $(1,367,000), respectively. The changes in net loss are described in more detail below. The following table includes our selected summarized operating data for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002. This data should be read in conjunction with our financial statements, including the notes thereto.

The following table of segment data is provided:

	Period Ended December 27, 2004			
	Multifamily	Commercial	Partnership	Total
Total revenues	$ 10,066,386	$ 736,596	$ -	$ 10,802,982
Operating expenses and operating expenses – affiliated	4,490,747	348,279	-	4,839,026
Depreciation and amortization	2,359,139	225,704	78,771	2,663,614
Total interest expense	2,474,823	22,272	884,263	3,381,358
Net (loss) income	(302,501)	46,396	(1,729,324)	(1,985,429)

	Year Ended December 31, 2003			
	Multifamily	Commercial	Partnership	Total
Total revenues	$ 10,326,587	$ 513,219	$ -	$ 10,839,806
Operating expenses and operating expenses – affiliated	4,144,729	297,616	-	4,442,345
Depreciation and amortization	2,324,165	206,505	89,466	2,620,136
Total interest expense	867,225	-	1,646,668	2,513,893
Net income (loss)	1,390,266	(57,306)	(2,840,265)	(1,507,305)

	Year Ended December 31, 2002			
	Multifamily	Commercial	Partnership	Total
Total revenues	$ 9,999,631	$ 610,958	$ -	$ 10,610,589
Operating expenses and operating expenses – affiliated	4,139,268	338,074	-	4,477,342
Depreciation and amortization	2,527,785	183,967	89,466	2,801,218
Total interest expense	840,145	-	1,738,038	2,578,183
Net income (loss)	1,131,128	29,117	(2,526,779)	(1,366,534)

During 2004, our continuing net losses have been negatively impacted by the expense related to our consolidation/merger costs. Net revenues have decreased due to decreased average rent per unit at Park Place Apartments Phase I and Willow Lake Apartments and decreased average occupancy at Park Place Apartments Phase I, net of the increased average occupancy at Sabal Park Apartments. The decrease is partially offset by an increase in revenues at our commercial property, Plainview Point Office Center Phase III, as the result of increased average occupancy. Operating expenses increased as the result of increased repairs and maintenance costs at Willow Lake Apartments and Plainview Point Office Center Phase III, landscaping costs at Golf Brook Apartments and tax consulting fees at Willow Lake Apartments. Operating expenses – affiliated has remained fairly stable. Interest expense increased as the result of prepayment penalties and disposing of loan costs as the result of the early extinguishment of debt.

Rental income and tenant reimbursements generated by our properties and joint ventures were as follows:

	Period Ended December 27,	Years Ended December 31,	
	2004	2003	2002
Wholly-Owned Properties			
Sabal Park Apartments	$ 1,954,657	$ 1,902,491	$ 1,881,597
Park Place Apartments Phase I	$ 1,583,409	$ 1,726,943	$ 1,480,563
Willow Lake Apartments	$ 2,054,065	$ 2,190,889	$ 2,365,523
Park Place Apartments Phase III	$ 1,520,903	$ 1,511,890	$ 1,311,185
Joint Venture Properties (Ownership % on December 27, 2004)			
Golf Brook Apartments (96.03%)	$ 2,953,352	$ 2,994,374	$ 2,960,763
Plainview Point Office Center Phase III (95.04%)	$ 736,596	$ 513,219	$ 610,958

We believe the changes in rental income and tenant reimbursements from year to year are temporary effects of each property's specific mix of lease maturities and are not indicative of any known trend.

The occupancy levels at our properties and joint ventures were as follows:

	December 27,	December 31,	
	2004	2003	2002
Wholly-Owned Properties			
Sabal Park Apartments	99%	95%	96%
Park Place Apartments Phase I	86%	82%	88%
Willow Lake Apartments	87%	79%	93%
Park Place Apartments Phase III	85%	93%	97%
Joint Venture Properties (Ownership % on December 27, 2004)			
Golf Brook Apartments (96.03%)	98%	93%	88%
Plainview Point Office Center Phase III (95.04%)	91%	52%	51%

We believe the changes in occupancy from year to year are temporary effects of each property's specific mix of lease maturities and are not indicative of any known trend, except for Plainview Point Office Center Phase III which had low occupancy for an extended period of time. During the fourth quarter of 2004, a tenant who leased approximately 8,300 square feet moved in, bringing the building's occupancy up to 91%.

The average occupancy levels at our properties and joint ventures were as follows:

	Period Ended December 27,	Years Ended December 31,	
	2004	2003	2002
Wholly-Owned Properties			
Sabal Park Apartments	96%	93%	93%
Park Place Apartments Phase I	83%	88%	79%
Willow Lake Apartments	86%	85%	88%
Park Place Apartments Phase III	90%	93%	83%
Joint Venture Properties (Ownership % on December 27, 2004)			
Golf Brook Apartments (96.03%)	96%	93%	91%
Plainview Point Office Center Phase III (95.04%)	74%	50%	55%

We believe the changes in average occupancy from year to year are temporary effects of each property's specific mix of lease maturities and are not indicative of any known trend, except for Plainview Point Office Center Phase III which had low occupancy for an extended period of time. During the fourth quarter of 2004, a tenant who leased approximately 8,300 square feet moved in, bringing the building's occupancy up to 91%.

In an effort to continue to improve occupancy at our multifamily properties, we have an on-site leasing staff, who are employees of NTS Development Company, at each of the multifamily properties. The staff handles all on-site visits from potential tenants, coordinates local advertising with NTS Development Company's marketing staff, makes visits to local companies to promote fully furnished apartments, and negotiates lease renewals with current residents.

The leasing and renewal negotiations for our commercial property are handled by leasing agents, who are employees of NTS Development Company, located in Louisville, Kentucky. The leasing agents are located in the same city as the commercial property. All advertising for the commercial property is coordinated by NTS Development Company's marketing staff located in Louisville, Kentucky.

The following discussion relating to changes in our results of operations includes only those line items within our Statements of Operations for which there was a material change between the period ended December 27, 2004 and the years ended December 31, 2003 and 2002.

Rental Income and Tenant Reimbursements

Rental income and tenant reimbursements for the period ended December 27, 2004 and the year ended December 31, 2003 were approximately $10,803,000 and $10,840,000, respectively. The decrease of approximately $37,000 is not a significant change, however, there are significant offsetting changes between our reporting segments. The decrease is made up of a net decrease in multifamily rental income as the result of decreased average rent per unit at Park Place Apartments Phase I and Willow Lake Apartments and decreased average occupancy at Park Place Apartments Phase I, net of the increased average occupancy at Sabal Park Apartments. The decrease is partially offset by an increase in commercial rental income at Plainview Point Office Center Phase III as the result of increased average occupancy.

Rental income and tenant reimbursements for the years ended December 31, 2003 and 2002 were approximately $10,840,000 and $10,611,000, respectively. The increase of approximately $229,000, or 2%, is not a significant change and is not indicative of any known trend or uncertainty. There were no offsetting material changes.

Operating Expenses and Operating Expenses - Affiliated

Operating expenses for the period ended December 27, 2004 and the year ended December 31, 2003 were approximately $3,217,000 and $2,941,000, respectively. The increase of approximately $276,000, or 9% is the result of an increase in 1) repairs and maintenance at Willow Lake Apartments and Plainview Point Office Center Phase III, 2) landscaping costs at Golf Brook Apartments and Willow Lake Apartments, 3) tax consulting fees at Willow Lake Apartments, 4) cleaning costs at Golf Brook Apartments, Willow Lake Apartments and Plainview Point Office Center Phase III and 5) insurance expense at all of the underlying properties. The increase is partially offset by a decrease in bad debt expense and administrative expenses at Willow Lake Apartments and Golf Brook Apartments.

Operating expenses for the years ended December 31, 2003 and 2002 were approximately $2,941,000 and $2,883,000, respectively. The increase of approximately $58,000, or 2%, is not a significant change and is not indicative of any known trend or uncertainty. There were no offsetting material changes.

Operating expenses – affiliated for the period ended December 27, 2004 and the year ended December 31, 2003 were approximately $1,622,000 and $1,501,000, respectively. The increase of approximately $121,000, or 8%, is not a significant change and is not indicative of any known trend or uncertainty. There were no offsetting material changes.

Operating expenses – affiliated for the years ended December 31, 2003 and 2002 were approximately $1,501,000 and $1,595,000, respectively. The decrease of approximately $94,000, or 6%, is not a significant change and is not indicative of any known trend or uncertainty. There were no offsetting material changes.

Operating expenses – affiliated are for services performed by employees of NTS Development Company, an affiliate of our general partner. These employee services include property management, leasing, maintenance and other services necessary to manage and operate our business.

Real Estate Taxes

Real estate taxes for the period ended December 27, 2004 and the years ended December 31, 2003, and 2002 were approximately $592,000, $1,057,000 and $883,000, respectively. The decrease of approximately $465,000, or 44%, in 2004 was primarily due to decreased tax assessments at Willow Lake Apartments and Golf Brook Apartments. We received notice of increased tax assessments in 2003 and retained a consultant to negotiate a reduction of the assessments. At Willow Lake Apartments, for 2003, we accrued property tax expense according to the assessed rate, not at the anticipated reduced rate. During the first and third quarters of 2004, we received notices of the reduction of the assessments and were able to adjust the periodic expense accordingly. We have not recorded a gain contingency for any property tax over-payments refunded in 2004. The increase of $174,000, or 20%, in 2003 was primarily due to increased tax assessments at Willow Lake Apartments and at Plainview Office Center Phase III, partially offset by a decreased tax assessment at Park Place Apartments Phase I.

Professional and Administrative Expenses and Professional and Administrative Expenses - Affiliated

Professional and administrative expenses for the period ended December 27, 2004 and the year ended December 31, 2003 were approximately $1,029,000 and $763,000, respectively. The increase of approximately $266,000, or 35%, was primarily the result of increased legal and professional fees related to our merger with NTS Realty. The increase is partially offset by a decrease in legal and professional fees related to litigation filed by limited partners.

Professional and administrative expenses for the years ended December 31, 2003 and 2002 were approximately $763,000 and $279,000, respectively. The increase of approximately $484,000 was primarily the result of increased legal and professional fees related to our proposed merger and litigation filed by limited partners.

Professional and administrative expenses – affiliated for the period ended December 27, 2004 and the year ended December 31, 2003 were approximately $432,000 and $395,000, respectively. The increase of approximately $37,000, or 9%, is not a significant change and is not indicative of any known trend or uncertainty. There were no offsetting material changes.

Professional and administrative expenses – affiliated for the years ended December 31, 2003 and 2002 were approximately $395,000 and $390,000, respectively. The increase of approximately $5,000, or 1%, is not a significant change and is not indicative of any known trend or uncertainty. There were no offsetting material changes.

Professional and administrative expenses – affiliated are for the services performed by employees of NTS Development Company, an affiliate of our general partner. These employee services include legal, financial and other services necessary to manage and operate our business.

Professional and administrative expenses – affiliated consisted of approximately the following:

	Period Ended December 27,	Years Ended December 31,	
	2004	2003	2002
Finance	$ 140,000	$ 117,000	$ 111,000
Accounting	150,000	130,000	111,000
Investor Relations	74,000	75,000	86,000
Human Resources	31,000	31,000	30,000
Overhead	37,000	42,000	52,000
Total	$ 432,000	$ 395,000	$ 390,000

Depreciation and Amortization Expense

Depreciation and amortization expense for the period ended December 27, 2004 and the year ended December 31, 2003 was approximately $2,664,000 and $2,620,000, respectively. The increase of approximately $44,000, or 2%, is not a significant change and is not indicative of any known trend or uncertainty. There were no offsetting material changes.

Depreciation and amortization expense for the years ended December 31, 2003 and 2002 was approximately $2,620,000 and $2,801,000, respectively. The decrease of approximately $181,000, or 6%, is not a significant change and is not indicative of any known trend or uncertainty. There were no offsetting material changes.

Interest and Other Income

Interest and other income for the period ended December 27, 2004 and the year ended December 31, 2003 were approximately $749,000 and $132,000, respectively. The increase of approximately $617,000 was primarily the result of a settlement payment received from NTS Development Company in 2004. As part of the settlement of the litigation filed by limited partners, NTS Development Company agreed to pay the Partnerships upon the closing date of the merger. NTS Properties VI's portion of this was $723,000. The increase is partially offset by income received in 2003, in relation to the litigation filed by limited partners.

Interest and other income for the years ended December 31, 2003 and 2002 were approximately $132,000 and $21,000, respectively. The increase of approximately $111,000 was primarily the result of a reimbursement received in 2003 in relation to the litigation filed by limited partners.

Interest Expense

Interest expense for the period ended December 27, 2004 and the year ended December 31, 2003 were approximately $3,381,000 and $2,514,000, respectively. The increase of $867,000, or 34%, was primarily the result of prepayment penalties as the result of the early extinguishment of debt at Sabal Park Apartments. The increase is also the result of disposing of loan cost assets at Sabal Park Apartments, Park Place Apartments Phase III, and NTS Properties VI in relation to the early extinguishment of debt.

Interest expense for the years ended December 31, 2003 and 2002 was approximately $2,514,000 and $2,578,000, respectively. The decrease of approximately $64,000, or 2%, is not a significant change and is not indicative of any known trend or uncertainty. There were no offsetting material changes.

Loss on Disposal of Assets

Loss on disposal of assets for the period ended December 27, 2004 and the year ended December 31, 2003 were approximately $14,000 and $104,000, respectively. The decrease of approximately $90,000, or 87%, was primarily the result of retirements made (before the assets were fully depreciated) at Willow Lake Apartments in 2003 for stair bracket replacements, security system installation and clubhouse renovation, partially offset by retirements made in 2004 for HVAC replacements at Sabal Park Apartments and Willow Lake Apartments.

Loss on disposal of assets for the years ended December 31, 2003 and 2002 were approximately $104,000 and $5,000, respectively. The increase of approximately $99,000 was primarily the result of retirements made (before the assets were fully depreciated) at Willow Lake Apartments in 2003 for stair bracket replacements, security system installation and clubhouse renovation and at Sabal Park Apartments for walkway and curb replacements, partially offset by retirements made in 2002 for retirement of a roof before it was fully depreciated at Willow Lake Apartments.

Liquidity and Capital Resources

The majority of our cash flow is typically derived from operating activities. Cash flows used in investing activities are for tenant improvements and other capital improvements at our properties. The tenant improvements and other capital additions were funded by cash flow from operations and from debt financing. Cash flows used in financing activities consist of the early extinguishment of debt, principal payments on mortgages and notes payable, and payment of loan costs.

The following table illustrates our cash flows provided by or used in operating activities, investing activities and financing activities:

	Period Ended December 27,	Years Ended December 31,	
	2004	2003	2002
Operating activities	$ 1,665,653	$ 1,518,719	$ 1,310,961
Investing activities	(770,830)	(787,801)	(317,172)
Financing activities	(358,174)	(1,664,390)	4,858
Net increase (decrease) in cash and equivalents	$ 536,649	$ (933,472)	$ 998,647

Cash Flow from Operating Activities

Net cash provided by operating activities increased from approximately $1,519,000 for the year ended December 31, 2003 to approximately $1,666,000 for the period ended December 27, 2004. The increase was primarily a result of improved results from operations before the effect of the pre-payment penalty paid by Sabal Park. The increase is partially offset by the change in accounts payable – affiliate and other liabilities (as a result of the merger with NTS Realty, we were able to reimburse NTS Development Company for salary and overhead costs in December 2004 and we were able to pay current year property taxes, respectively).

Net cash provided by operating activities increased from approximately $1,311,000 for the year ended December 31, 2002 to approximately $1,519,000 for the year ended December 31, 2003. The increase was primarily driven by the increase in accounts payable – affiliate due to NTS Development Company as reimbursement of salary and overhead costs.

Cash Flow from Investing Activities

Net cash used in investing activities decreased from approximately $788,000 for the year ended December 31, 2003 to approximately $771,000 for the period ended December 27, 2004. The decrease in net cash used was primarily due to a decrease in capital expenditures at the multifamily properties. Additions made in 2004 were for structural improvements at Park Place Apartments Phase I, roof replacements at Willow Lake Apartments, HVAC replacements and golf carts at Golf Brook Apartments and Sabal Park Apartments, playground and fitness equipment at Sabal Park Apartments and pool resurfacing at Golf Brook Apartments. Additions were made in 2003 for clubhouse renovation, a paving project and stair bracket replacements at Willow Lake Apartments. The decrease at the multifamily properties is partially offset by an increase in capital expenditures at our commercial property – Plainview Point Office Center Phase III. The 2004 additions at Plainview Point Office Center Phase III included tenant improvements and HVAC replacements. The 2003 additions at Plainview Point Office Center Phase III included tenant improvements.

Net cash used in investing activities increased from approximately $317,000 for the year ended December 31, 2002 to approximately $788,000 for the year ended December 31, 2003. The increase was primarily due to increased capital expenditures in 2003 for a clubhouse renovation, a paving project and roof replacements at Willow Lake Apartments and tenant improvements at Plainview Point Office Center Phase III.

Cash Flow from Financing Activities

Net cash used in financing activities was approximately $1,664,000 for the year ended December 31, 2003 compared to approximately $358,000 for the period ended December 27, 2004. The decrease in net cash used in financing activities is primarily the result of advances received from NTS Realty as a result of the merger.

Net cash provided by financing activities was approximately $5,000 for the year ended December 31, 2002. For the year ended December 31, 2003, we used approximately $1,664,000 in net cash for financing activities. The increase in net cash used was primarily due to the fact that $2,000,000 in loan proceeds was received in 2002 while only $400,000 in loan proceeds was received in 2003. These loan proceeds were used for capital improvements and working capital. The increase is also the result of an increase in principal payments made on mortgages payable.

Due to the fact that no distributions were made during 2004, 2003 or 2002, the table which presents that portion of the distributions that represents a return of capital based on GAAP has been omitted.

Future Liquidity

Our future liquidity depends significantly on our properties' occupancy remaining at a level which provides for debt payments and adequate working capital, currently and in the future. If occupancy were to fall below that level and remain at or below that level for a significant period of time, our ability to make payments due under our debt agreements and to continue paying daily operational costs would be greatly impaired. In addition, we may be required to obtain financing in connection with the capital improvements and leasing costs described below.

The primary source of future liquidity is expected to be cash from operations. It is anticipated that the cash flow from operations will be sufficient to meet our day to day working capital needs.

The demand on future liquidity is anticipated to increase as a result of the replacement of the roofs at both Willow Lake Apartments (26 buildings) and Park Place Apartments Phase I (23 buildings) all of which were installed using shingles produced by a single manufacturer. The shingles appear to contain defects which may cause roofs to fail. As the shingle manufacturer has declared bankruptcy, we do not expect to be able to recover any of the costs of the roof replacements in the event of any such failures. We do not have sufficient working capital to make all of the roof replacements at one time. As of December 27, 2004, eight buildings at Willow Lake Apartments have had roofs replaced while no roofs have been replaced at Park Place Apartments Phase I. The total cost of replacing all of the remaining roofs is estimated to be $820,000 ($20,000 per building).

The demand on future liquidity is also anticipated to increase as the result of 1) replacement/ repair of wood and alarm systems at Park Place Apartments Phase I, estimated to cost $100,000, 2) heat pump replacements at Sabal Park Apartments, estimated to cost $41,000, 3) exterior light fixture replacements at Willow Lake Apartments, estimated to cost $27,000 and 4) heat pump replacements at Golf Brook Apartments, estimated to cost $26,000.

The demands on liquidity as discussed above will be managed by our general partner using cash provided by operations, cash reserves and existing or additional financing secured by our properties. Typically, these capital improvements and leasing costs require use of existing financing or additional financing. There can be no guarantee that such funds will be available at which time our general partner will manage the demand on liquidity according to our best interest.

Leases at Plainview Point Office Center Phase III provide for tenants to contribute toward the payment of common area maintenance expenses, insurance, utilities and real estate taxes. These lease provisions, along with the fact that multifamily leases are generally for a period of one year, should protect our operations from the impact of inflation and changing prices.

We had no other material commitments for renovations or capital expenditures as of December 27, 2004.

NTS-Properties VII
Results of Operations

This section describes our results of operations for NTS-Properties VII (referred to in this discussion as "we," "us" or "our") for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002. We owned two multifamily properties and had investments in one joint venture property. We generate almost all of our net operating income from property operations.

Net loss for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002 was approximately $(333,000), $(170,000) and $(212,000), respectively. The changes in net loss are described in more detail below. The following table includes our selected summarized operating data for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002. This data should be read in conjunction with our financial statements, including the notes thereto.

	Period Ended December 27,	Years Ended December 31,	
	2004	2003	2002
Total revenues	$ 1,571,552	$ 1,637,858	$ 1,515,528
Operating expenses and operating expenses – affiliated	678,441	670,462	684,638
Depreciation and amortization	408,391	407,690	501,168
Total interest expense	(264,931)	(254,763)	(266,573)
Net loss	(332,902)	(170,319)	(211,696)

Rental income and tenant reimbursements generated by our properties and joint venture were as follows:

	Period Ended December 27,	Years Ended December 31,	
	2004	2003	2002
Wholly-Owned Properties			
The Park at the Willows	$ 321,060	$ 298,890	$ 323,104
Park Place Apartments Phase II	$ 1,250,492	$ 1,338,968	$ 1,192,424
Joint Venture Property (Ownership % on December 27, 2004)			
Blankenbaker Business Center 1A (31.34%)	$ 949,011	$ 949,011	$ 951,763

We believe the changes in rental income and tenant reimbursements from year to year are temporary effects of each property's specific mix of lease maturities and are not indicative of any known trend.

The occupancy levels at our properties and joint venture were as follows:

	December 27,	December 31,	
	2004	2003	2002
Wholly-Owned Properties			
The Park at the Willows	94%	83%	90%
Park Place Apartments Phase II	88%	83%	89%
Joint Venture Property (Ownership % on December 27, 2004)			
Blankenbaker Business Center 1A (31.34%)	100%	100%	100%

We believe the changes in occupancy from year to year are temporary effects of each property's specific mix of lease maturities and are not indicative of any known trend.

The average occupancy levels at our properties and joint were as follows:

	Period Ended December 27,	Years Ended December 31,	
	2004	2003	2002
Wholly-Owned Properties			
The Park at the Willows	90%	81%	83%
Park Place Apartments Phase II	84%	89%	82%
Joint Venture Property (Ownership % on December 27, 2004)			
Blankenbaker Business Center 1A (31.34%)	100%	100%	100%

We believe the changes in average occupancy from year to year are temporary effects of each property's specific mix of lease maturities and are not indicative of any known trend.

We are making efforts to improve occupancy at our multifamily communities. We have an on-site leasing staff, who are employees of NTS Development Company, at each of the multifamily communities. The staff handles all on-site visits from potential tenants, coordinates local advertising with NTS Development Company's marketing staff, makes visits to local companies to promote fully furnished apartments and works with current residents on lease renewals.

The lease at Blankenbaker Business Center 1A provides for the tenant to contribute toward the payment of common area maintenance expenses, insurance, utilities and real estate taxes. These lease provisions, along with the fact that multifamily leases are generally for a period of one year, should protect our operations from the impact of inflation and changing prices.

The following discussion relating to changes in our results of operations includes only those line items within our Statements of Operations for which there was a material change between the period ended December 27, 2004 and the years ended December 31, 2003 and 2002.

Rental Income

Rental income for the period ended December 27, 2004 and year ended December 31, 2003 was approximately $1,572,000 and $1,638,000, respectively. The decrease of approximately $66,000, or 4%, was primarily the result of decreased average occupancy at Park Place Apartments Phase II and a decrease in average income per unit at The Park at the Willows and Park Place Apartments Phase II. The decrease is partially offset by an increase in average occupancy at The Park at the Willows.

Rental income for the years ended December 31, 2003 and 2002 was approximately $1,638,000 and $1,516,000, respectively. The increase of approximately $122,000, or 8%, was primarily the result of increased average occupancy at Park Place Apartments Phase II partially offset by a decrease in average occupancy at The Park at the Willows.

Operating Expenses and Operating Expenses - Affiliated

Operating expenses for the period ended December 27, 2004 and the year ended December 31, 2003 were approximately $395,000 and $406,000, respectively. The decrease of approximately $11,000, or 3%, is not a significant change and is not indicative of any known trend or uncertainty. There were no offsetting material changes.

Operating expenses for the years ended December 31, 2003 and 2002 were approximately $406,000 and $418,000, respectively. The decrease of approximately $12,000, or 3%, is not a significant change and is not indicative of any known trend or uncertainty. There were no offsetting material changes.

Operating expenses – affiliated for the period ended December 27, 2004 and the year ended December 31, 2003 were approximately $283,000 and $264,000, respectively. The increase of approximately $19,000, or 7%, is not a significant change and is not indicative of any known trend or uncertainty. There were no offsetting material changes.

Operating expenses – affiliated for the years ended December 31, 2003 and 2002 were approximately $264,000 and $266,000, respectively. The decrease of approximately $2,000, or 1%, is not a significant change and is not indicative of any known trend or uncertainty. There were no offsetting material changes.

Operating expenses – affiliated are for the services performed by employees of NTS Development Company, an affiliate of our general partner. These employee services include property management, leasing, maintenance, security and other services necessary to manage and operate our business.

Professional and Administrative Expenses and Professional and Administrative Expenses - Affiliated

Professional and administrative expenses for the period ended December 27, 2004 and the year ended December 31, 2003 were approximately $358,000 and $278,000, respectively. The increase of approximately $80,000, or 29%, was primarily the result of increased legal and professional fees related to our merger with NTS Realty.

Professional and administrative expenses for the years ended December 31, 2003 and 2002 were approximately $278,000 and $100,000, respectively. The increase of approximately $178,000 was primarily the result of increased legal and professional fees related to our proposed merger and litigation filed by limited partners.

Professional and administrative expenses-affiliated for the period ended December 27, 2004 and the year ended December 31, 2003 were approximately $142,000 and $132,000, respectively. The increase of approximately $10,000, or 8%, is not a significant change and is not indicative of any known trend or uncertainty. There were no offsetting material changes.

Professional and administrative expenses-affiliated for the years ended December 31, 2003 and 2002 were approximately $132,000 and $115,000, respectively. The increase of approximately $17,000, or 15%, was primarily the result of increased personnel costs.

Professional and administrative expenses - affiliated are for the services performed by employees of NTS Development Company, an affiliate of our general partner. These employee services include legal, financial and other services necessary to manage and operate our business.

Professional and administrative expenses – affiliated consisted of approximately the following:

	Period Ended December 27, 2004	Years Ended December 31, 2003	Years Ended December 31, 2002
Finance	$ 25,000	$ 21,000	$ 20,000
Accounting	83,000	75,000	54,000
Investor Relations	13,000	13,000	15,000
Human Resources	7,000	8,000	7,000
Overhead	14,000	15,000	19,000
Total	$ 142,000	$ 132,000	$ 115,000

Depreciation and Amortization Expense

Depreciation and amortization expense for the period ended December 27, 2004 and the year ended December 31, 2003 were approximately $408,000 and $408,000, respectively. There is not a significant change and is not indicative of any known trend or uncertainty. There were no offsetting material changes.

Depreciation and amortization expenses for the years ended December 31, 2003 and 2002 were approximately $408,000 and $501,000, respectively. The decrease of approximately $93,000, or 19%, was primarily the result of the roof assets at Park Place Apartments Phase II becoming fully depreciated by December 31, 2002.

Interest and Other Income

Interest and other income for the period ended December 27, 2004 and the year ended December 31, 2003 was approximately $31,000 and $7,000, respectively. The increase of approximately $24,000 was primarily the result of a settlement payment received from NTS Development Company in 2004 with no similar income in 2003. The increase is partially offset by a decrease in interest income as a result of maintaining lower balances in our bank accounts in 2004.

Interest and other income for the years ended December 31, 2003 and 2002 was approximately $7,000 and $8,000, respectively. The decrease of approximately $1,000, or 13%, is not a significant change and is not indicative of any known trend or uncertainty. There were no offsetting material changes.

Interest Expense

Interest expense for the period ended December 27, 2004 and the year ended December 31, 2003 was approximately $265,000 and $255,000, respectively. The increase of approximately $10,000, or 4%, is not a significant change and is not indicative of any known trend or uncertainty. There were no offsetting material changes.

Interest expense for the years ended December 31, 2003 and 2002 was approximately $255,000 and $267,000, respectively. The decrease of approximately $12,000, or 4%, is not a significant change and is not indicative of any known trend or uncertainty. There were no offsetting material changes.

Income from Investment in the Joint Venture

Income from investment in the joint venture for the period ended December 27, 2004 and the year ended December 31, 2003 was approximately $78,000 and $88,000, respectively. The decrease of $10,000, or 11%, was primarily the result of increased depreciation expense and operating expenses, net of decreased loss on disposal and interest expense at Blankenbaker Business Center 1A.

Income from investment in the joint venture for the years ended December 31, 2003 and 2002 was approximately $88,000 and $96,000, respectively. The decrease of approximately $8,000, or 8%, is not a significant change and is not indicative of any known trend or uncertainty. There were no offsetting material changes.

Liquidity and Capital Resources

The majority of our cash flow is typically derived from operating activities. Cash flows used in operating activities in 2004 consist of amounts spent to reimburse NTS Development for fees owed to them and for amounts spent on legal expenses for the merger with NTS Realty and for litigation. Cash flows used in investing activities consist of amounts spent for capital improvements at our properties. Cash flows provided by investing activities represent a decreased investment in our joint venture, Blankenbaker Business Center 1A. Cash flows used in financing activities consist of the early extinguishment of debt net of funds received as part of the merger with NTS Realty in 2004 and principal payments on mortgages payable.

The following table illustrates our cash flows provided by or used in operating activities, investing activities and financing activities:

	Period Ended December 27,	Years Ended December 31,	
	2004	2003	2002
Operating activities	$ (90,391)	$ 274,452	$ 184,149
Investing activities	100,084	(238,129)	(67,288)
Financing activities	(87,258)	(155,201)	(165,560)
Net decrease in cash and equivalents	$ (77,565)	$ (118,878)	$ (48,699)

Cash Flow from Operating Activities

Net cash provided by operating activities was approximately $274,000 for the year ended December 31, 2003. For the period ended December 27, 2004, we used approximately $90,000 in net cash for operating activities. The increase in net cash used was primarily driven by the reduced results of operations and the change in accounts payable – affiliate (as a result of the merger we were able to reimburse NTS Development Company for salary and overhead costs in December 2004) and accounts payable.

Net cash provided by operating activities increased from approximately $184,000 for the year ended December 31, 2002 to approximately $274,000 for the year ended December 31, 2003. The increase was primarily driven by the change in accounts payable which was partially offset by the change in other liabilities. The increased accounts payable included amounts due for professional services related to our litigation filed by limited partners and proposed merger.

Cash Flow from Investing Activities

For the year ended December 31, 2003, we used approximately $238,000 in net cash for investing activities. Net cash provided by investing activities was approximately $100,000 for the period ended December 27, 2004. The increase in net cash provided was primarily the result of decreased capital expenditures at Park Place Apartments Phase II which was partially offset by increased capital expenditures at The Park at the Willows, and the decreased investment in the joint venture due to the advance from NTS Realty.

Net cash used in investing activities increased from approximately $67,000 for the year ended December 31, 2002 to approximately $238,000 for the year ended December 31, 2003. The increase was primarily the result of increased capital expenditures at Park Place Apartments Phase II and The Park at the Willows.

Cash Flow from Financing Activities

Net cash used in financing activities decreased from approximately $155,000 for the year ended December 21, 2003 to approximately $87,000 for the period ended December 27, 2004. The decrease was primarily due to the payoff of debt as a result of the merger with NTS Realty and payment of property taxes net of the cash used for the actual payment of the debt.

Net cash used in financing activities decreased from approximately $166,000 for the year ended December 21, 2002 to approximately $155,000 for the year ended December 31, 2003. The decrease was primarily the result of decreased principal payments made in 2003.

Due to the fact that no distributions were made during 2004, 2003 or 2002, the table which presents that portion of the distributions that represents a return of capital based on GAAP has been omitted.

Future Liquidity

We believe the current occupancy levels are considered adequate to fund the operations of our properties. However, our future liquidity depends significantly on our properties' occupancy remaining at a level which provides for debt payments and adequate working capital, currently and in the future. If occupancy were to fall below that level and remain at or below that level for a significant period of time, our ability to make payments due under our debt agreements and to continue paying daily operational costs would be greatly impaired. In addition, we may be required to obtain financing in connection with the capital improvements and leasing costs described below. The primary source of future liquidity is expected to be derived from cash generated by our properties after adequate cash reserves are established for future leasing, roof replacement and renovation costs. It is anticipated that the future cash flow from operations combined with our cash reserves will be sufficient to meet these needs.

The demand on future liquidity is anticipated to increase as a result of the replacement of the roofs at Park Place Apartments Phase II (18 buildings), all of which were installed using shingles produced by a single manufacturer. The shingles appear to contain defects which may cause the roofs to fail. As the shingle manufacturer has declared bankruptcy, we do not expect to be able to recover any of the costs of the roof replacements in the event of any such failures. We do not have sufficient working capital to make all of the roof replacements at one time. As of December 27, 2004, fifteen roof replacements have been completed. The total cost of replacing the remaining roofs is estimated to be $60,000 ($20,000 per building). The three remaining roof replacements have been budgeted for completion in the second quarter of 2005.

The demand on future liquidity is also anticipated to increase as a result of an exterior painting project at Park Place Apartments Phase II and HVAC replacements at The Park at the Willows. All projects are budgeted for 2005. We expect to spend approximately $10,000 on painting the exterior of the buildings at Park Place Apartments Phase II. The HVAC replacements at The Park at the Willows are expected to cost approximately $16,000.

We had no other material commitments for renovations or capital expenditures as of December 27, 2004.

NTS Private Group
Results of Operations

This section describes our results of operations for NTS Private Group (referred to in this discussion as "we," "us" or "our") for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002. We owned three retail properties, eight commercial properties and operated a land lease. We generate almost all of our net operating income from property operations. In order to evaluate our overall portfolio, management analyzes the operating performance of the properties based on operating segments, which include retail operations, commercial real estate operations and land leases. The financial information of the operating segments have been prepared consistent with the basis and manner in which our management internally disaggregates financial information for the purpose of decision making.

Net loss for the period ended December 27, 2004 was approximately $(2,159,000) as compared to net income of approximately $1,177,000 and $1,933,000 for the years ended December 31, 2003 and 2002, respectively. The changes in net income or loss are described in more detail below. The following tables include certain selected summarized operating data for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002. This data should be read in conjunction with our financial statements, including the notes attached hereto.

	Period Ended December 27, 2004			
	Land	Retail	Commercial	Total
Total revenues	$ 45,087	$ 1,358,242	$ 7,870,240	$ 9,273,569
Operating expenses and operating expenses – affiliated	1,133	233,260	2,200,789	2,435,182
Depreciation and amortization	5,087	315,343	1,686,923	2,007,353
Total interest expense	-	423,166	5,432,268	5,855,434
Net income (loss)	3,293	240,684	(2,403,036)	(2,159,059)

	Year Ended December 31, 2003			
	Land	Retail	Commercial	Total
Total revenues	$ 53,537	$ 1,370,517	$ 7,845,380	$ 9,269,434
Operating expenses and operating expenses – affiliated	2,261	92,024	2,014,658	2,108,943
Depreciation and amortization	5,087	293,497	1,617,913	1,916,497
Total interest expense	238	451,724	2,490,612	2,942,574
Net income	22,070	409,606	745,817	1,177,493

	Year Ended December 31, 2002			
	Land	Retail	Commercial	Total
Total revenues	$ 216,344	$ 1,245,555	$ 8,581,334	$ 10,043,233
Operating expenses and operating expenses – affiliated	17,953	94,981	2,098,038	2,210,972
Depreciation and amortization	5,087	269,271	1,569,683	1,844,041
Total interest expense	224	501,406	2,773,388	3,275,018
Net income	237,138	299,519	1,396,183	1,932,840

During 2004, our revenues for the commercial segment increased slightly due to increased average occupancy at Springs Office Center and Springs Medical Office Center. This increase is partially offset by decreased average occupancy at Atrium Center and Blankenbaker Business Center II as a result of unsuccessful attempts to renew tenants' expired leases. We continue our leasing efforts by seeking new tenants for these properties. Our revenues for the retail segment decreased slightly due primarily to decreased recoverable operating expenses incurred in 2004. The decrease is partially offset by increased average occupancy at Springs Station. Our revenues for the land segment also decreased slightly due to decreased rental rates for 2004.

Rental income and tenant reimbursements generated by our properties were as follows:

	Period Ended December 27,	Years Ended December 31,	
	2004	2003	2002
Anthem Office Center	$ 810,692	$ 810,692	$ 810,692
Atrium Center	789,858	1,011,176	1,259,463
Sears Office Building	785,300	757,506	756,741
Springs Medical Office Center	1,680,865	1,556,473	1,623,775
Springs Office Center	2,048,589	1,870,711	2,270,683
Blankenbaker Business Center 1B	577,686	577,686	578,276
Blankenbaker Business Center II	632,406	720,075	754,877
Clarke American	544,844	541,062	526,826
Bed, Bath & Beyond	423,091	447,685	401,374
Outlets Mall	665,887	662,838	662,838
Springs Station	269,264	259,993	181,342
ITT Parking Lot	45,087	53,537	53,537
Other	-	-	162,809
	$ 9,273,569	$ 9,269,434	$ 10,043,233

We believe the changes in rental income and tenant reimbursements from year to year are temporary effects of each property's specific mix of lease maturities and are not indicative of any known trend, except as described above for Atrium Center and Blankenbaker Business Center II.

The occupancy levels at our properties were as follows:

	December 27,	December 31,	
	2004	2003	2002
Anthem Office Center	100%	100%	100%
Atrium Center	67%	62%	78%
Sears Office Building	100%	100%	100%
Springs Medical Office Center	89%	90%	93%
Springs Office Center	96%	97%	76%
Blankenbaker Business Center 1B	100%	100%	100%
Blankenbaker Business Center II	76%	90%	90%
Clarke American	100%	100%	100%
Bed, Bath & Beyond	100%	100%	100%
Outlets Mall	100%	100%	100%
Springs Station	92%	100%	71%
ITT Parking Lot	100%	100%	100%

We believe the changes in occupancy from year to year are temporary effects of each property's specific mix of lease maturities and are not indicative of any known trend, except as described above for Atrium Center and Blankenbaker Business Center II.

The average occupancy levels at our properties were as follows:

	Period Ended December 27,	Years Ended December 31,	
	2004	2003	2002
Anthem Office Center	100%	100%	100%
Atrium Center	55%	66%	80%
Sears Office Building	100%	100%	100%
Springs Medical Office Center	93%	91%	96%
Springs Office Center	97%	90%	91%
Blankenbaker Business Center 1B	100%	100%	100%
Blankenbaker Business Center II	78%	90%	95%
Clarke American	100%	100%	100%
Bed, Bath & Beyond	100%	100%	100%
Outlets Mall	100%	100%	100%
Springs Station	97%	94%	62%
ITT Parking Lot	100%	100%	100%

We believe the changes in average occupancy from year to year are temporary effects of each property's specific mix of lease maturities and are not indicative of any known trend, except as described above for Atrium Center and Blankenbaker Business Center II.

We are making efforts to increase the occupancy levels at our properties. The leasing and renewal negotiations are conducted by leasing agents, who are employees of NTS Development Company, located in Louisville, Kentucky. The leasing agents are located in the same city as the property. All advertising is coordinated by NTS Development Company's marketing staff located in Louisville, Kentucky. The staff facilitates all on-site visits from potential tenants, negotiates lease renewals with current tenants and coordinates all local advertising with NTS Development Company's marketing staff.

The following discussion relating to changes in our results of operations includes only those line items within our Statements of Operations for which there was a material change between the period ended December 27, 2004 and the years ended December 31, 2003 and 2002.

Rental Income and Tenant Reimbursements

Rental income and tenant reimbursements for the period ended December 27, 2004 and the years ended December 31, 2003, and 2002 were approximately $9,274,000, $9,269,000 and $10,043,000, respectively. The increase of approximately $5,000 in 2004 was not a significant change and is not indicative of any known trend or uncertainty. There were no offsetting material changes. The decrease of approximately $774,000, or 8%, in 2003 was primarily a result of decreased average occupancy at Atrium Center, Blankenbaker Business Center II, Springs Medical Office Center and Springs Office Center. The decrease was partially offset by increased average occupancy at Springs Station. Average occupancy for the year is calculated using the end of the month occupancies for each month.

Year-ending occupancy percentages represent occupancy only on a specific date; therefore, the above analysis considers average occupancy percentages which are more representative of the entire year-to-date results.

Operating Expenses and Operating Expenses – Affiliated

Operating expenses for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002 were approximately $1,689,000, $1,459,000 and $1,479,000, respectively. The increase of approximately $230,000, or 16%, for 2004 was primarily due to increased bad debt expense at Outlets Mall due to the tenant declaring bankruptcy during February 2004. The decrease of approximately $20,000, or 1%, in 2003 was not a significant change and is not indicative of any known trend or uncertainty. There were no offsetting material changes.

Operating expenses – affiliated for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002 were approximately $746,000, $650,000 and $732,000, respectively. The increase of approximately $96,000, or 15%, for 2004 was primarily due to increased personnel costs. The decrease of approximately $82,000, or 11%, in 2003 was primarily due to decreased personnel costs.

Operating expenses – affiliated are for the services performed by employees of NTS Development Company, an affiliate of ours. These employee services include property management, leasing, maintenance, security and other services necessary to manage and operate our business.

Professional and Administrative Expenses

Professional and administrative expenses for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002 were approximately $158,000, $116,000 and $0, respectively. The increases of approximately $42,000, or 36%, for 2004 and $116,000 for 2003 were the result of costs incurred for legal and professional fees.

Depreciation and Amortization

Depreciation and amortization expenses for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002 were approximately $2,007,000, $1,916,000 and $1,844,000, respectively. The increases of approximately $91,000, or 5%, for 2004 and $72,000, or 4%, for 2003 were not significant and are not indicative of any known trend or uncertainty. There were no offsetting material changes.

Interest and Other Income

Interest and other income for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002 were approximately $23,000, $19,000 and $70,000, respectively. The increase of approximately $4,000, or 21%, for 2004 was not significant and is not indicative of any known trend or uncertainty. There were no offsetting material changes. The decrease of approximately $51,000, or 73%, for 2003 was primarily due to a decrease in recoveries from former tenants.

Interest Income – Affiliated

Interest income from affiliates for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002 were approximately $0, $54,000 and $143,000, respectively. The decreases of approximately $54,000 for 2004 and $89,000 for 2003 were the result of decreased balances due from affiliates and the notes being paid in their entirety by NTS Financial Partnership on June 30, 2003.

Interest Expense

Interest expense for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002 was approximately $5,855,000, $2,873,000 and $3,119,000, respectively. The increase of approximately $2,982,000 for 2004 was primarily a result of prepayment penalties paid by Atrium Center, Anthem Office Center, Blankenbaker Business Center 1B, Blankenbaker Business Center II, Springs Medical Office Center and Springs Office Center due to the early payoff of their mortgage loans and note payable. The increase is partially offset by continued principal payments made by Outlets Mall, Springs Station, Clarke American and Bed, Bath & Beyond. The mortgage loans at Outlets Mall and Springs Station were paid in full, prior to their maturity date, without prepayment penalties. The decrease of approximately $246,000, or 8%, for 2003 was primarily due to decreased principal balances as a result of continued principal payments.

Interest Expense – Affiliated

Interest expense paid to affiliates for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002 was approximately $0, $70,000 and $156,000, respectively. The decreases of approximately $70,000 for 2004 and $86,000 for 2003 were primarily a result of decreased balances due to affiliates and the notes being paid in their entirety to NTS Financial Partnership on June 30, 2003.

Loss on Disposal of Assets

The loss on disposal of assets for the period ended December 27, 2004 was primarily due to the retirement of the roof, which was not fully depreciated, at Blankenbaker Business Center 1B. The loss on disposal of assets for the year ended December 31, 2003 was primarily due to the retirements of assets (primarily tenant improvements) not fully depreciated at Springs Office Center.

Liquidity and Capital Resources

This section describes our balance sheet and discusses our liquidity and capital commitments. Our most liquid asset is our cash and cash equivalents which consists of cash and short-term investments, but does not include our cash which is restricted. Our historical cash and cash equivalents as of December 27, 2004 was $255,476. Operating income generated from our properties is the primary source from which we generate cash. Other sources of cash include proceeds from mortgage loans and notes payable. Below is a chart which reflects our cash flow from operating, investing and financing activities for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002, followed by a comparison of the respective periods.

	Period Ended December 27,	Years Ended December 31,	
	2004	2003	2002
Operating activities	$ 3,156,716	$ 3,591,774	$ 3,640,545
Investing activities	(837,669)	4,977,401	(428,322)
Financing activities	(2,503,620)	(8,560,750)	(3,396,111)
Net (decrease) increase in cash and equivalents	$ (184,573)	$ 8,425	$ (183,888)

Cash Flow from Operating Activities

Net cash provided by operating activities decreased from approximately $3,592,000 for the year ended December 31, 2003 to approximately $3,157,000 for the period ended December 27, 2004. The decrease is a result of decreased cash provided by results of operations primarily due to increased expenses incurred in relation to the merger with NTS Realty.

Net cash provided by operating activities decreased from approximately $3,641,000 for the year ended December 31, 2002 to approximately $3,592,000 for the year ended December 31, 2003. The decrease is due primarily to less cash provided by results of operations, which was offset by increased cash collections of outstanding accounts receivable.

Cash Flows from Investing Activities

Net cash flow used in investing activities was approximately $838,000 for the period ended December 27, 2004. Net cash flow provided by investing activities for the year ended December 31, 2003 was approximately $4,977,000. The change was primarily due to cash payments received in 2003 from affiliates of approximately $6,200,000 for notes receivable.

Net cash flow from investing activities was approximately $4,977,000 for the year ended December 31, 2003. For the year ended December 31, 2002, we used approximately $428,000 in net cash for investing activities. The change was primarily due to cash payments received from affiliates of approximately $6,200,000 for notes receivable, partially offset by additions to land, buildings and amenities.

Cash Flows from Financing Activities

Net cash used in financing activities was approximately $2,504,000 for the period ended December 27, 2004. Net cash used in financing activities for the year ended December 31, 2003 was approximately $8,561,000. The change was primarily due to the payoff of certain mortgages as a result of the merger with NTS Realty and is also due to cash payments made in 2003 to affiliates of approximately $6,700,000 on notes payable.

Net cash used by financing activities increased from approximately $3,396,000 for the year ended December 31, 2002 to approximately $8,561,000 for the year ended December 31, 2003. The increase in net cash used was primarily due to cash payments made to affiliates of approximately $6,700,000 on notes payable.

Future Liquidity

On June 30, 2003, the notes receivable-affiliate of approximately $6,200,000 for the year ended December 31, 2002 was paid in its entirety by NTS Financial Partnership. In the same transaction we paid the notes payable-affiliate in its entirety owed to NTS Financial Partnership of approximately $6,700,000 for the year ended December 31, 2002. As a result of the simultaneous transactions we paid the difference of approximately $500,000 in cash to NTS Financial Partnership.

We believe the current occupancy levels are adequate to fund the operations of our properties. However, our future liquidity depends significantly on our properties' occupancy remaining at a level which provides for debt payments and adequate working capital, currently and in the future. If occupancy were to fall below that level and remain at or below that level for a significant period of time, our ability to make payments due under our debt agreements and to continue paying daily operational costs would be greatly impaired. In addition, we may be required to obtain financing in connection with the capital improvements and leasing costs described below.

In the next 12 months, we expect the demand on future liquidity to increase as a result of future leasing activity driven primarily by the decreased occupancy at Atrium Center. There has been and will likely continue to be a protracted period for Atrium Center to become fully leased again. Approximately $485,000 will be needed for leasing costs, especially those needed to refinish space for new tenants to return Atrium Center to full occupancy. As of December 27, 2004, we had not made any commitments for tenant improvements at Atrium Center.

As of December 27, 2004, we anticipate making certain building improvements in 2005 totaling approximately $442,000. These improvements include a roof replacement at Blankenbaker Business Center II, estimated to cost $143,000, common area renovations at Atrium Center and Springs Medical Office Center, estimated to cost $180,000, HVAC replacements at Atrium Center, Blankenbaker Business Center II, Sears Office Center, Springs Medical Office Center and Springs Office Center, estimated to cost $88,000, restroom renovations at Atrium Center and Springs Office Center, estimated to cost $24,000, and tenant signage replacements at Springs Medical Office Center, estimated to cost $7,000.

In July 2004, the sole tenant at Sears Office Center, whose lease expires July 15, 2005, notified us of its intention to vacate its space in July 2005. The tenant occupies 66,905 square feet at an annual rate of $11.99 per square foot. This will result in an annual loss of approximately $785,000, or 8%, of 2004's total revenues. There may be significant demands on future liquidity as a result of this vacancy. Approximately $1,760,000 may be needed to refinish the vacated space and locate a new tenant.

In August 2004, we signed a lease renewal and expansion agreement with a significant tenant at Springs Office Center. As part of the lease renewal and expansion, the tenant will be expanding into an additional 4,502 square feet and approximately $750,000 in tenant improvements will be required. As of December 27, 2004, no costs have been incurred for these tenant improvements.

As of January 12, 2005, we signed a lease renewal agreement with the sole tenant at Blankenbaker Business Center 1B. As part of the lease renewal, approximately $1,621,000 in tenant improvements will be required. These improvements include HVAC replacements, ceiling tile replacements, new computer cabling, parking lot renovations, restroom renovations, courtyard renovations, a new visitor entrance, monument signage, exterior window modifications, sewer system repairs, design fees and tenant improvements.

In January 2005, the sole tenant at Anthem Office Center, whose lease expires August 31, 2005, notified us of its intention to vacate its space in August 2005. The tenant occupies 84,717 square feet at an annual rate of $9.57 per square foot. This will result in an annual loss of approximately $811,000, or 9%, of 2004's total revenues. There may be significant demands on future liquidity as a result of this vacancy. Approximately $1,830,000 will be needed to refinish the vacated space and locate a new tenant.

As of February 7, 2005, we signed a lease renewal agreement with the sole tenant at Outlets Mall. As part of the lease renewal, we agreed to replace the roof on the existing building. This is estimated to cost us approximately $330,000.

In February 2005, we signed a lease renewal and expansion agreement with a significant tenant at Blankenbaker Business Center II. As part of the lease renewal and expansion, the tenant will be expanding into an additional 19,530 square feet and approximately $1,000,000 in tenant improvements will be required.

We anticipate using cash provided by operations and cash reserves to fund a portion of the capital improvements and leasing costs described above. However, we believe that funding these expenses may also require existing financing or additional financing secured by our properties and there is no assurance that this financing will be available. We have no other material commitments for renovations or capital improvements as of December 27, 2004.

Blankenbaker Business Center 1A
Results of Operations

This section describes our results of operations for Blankenbaker Business Center 1A (referred to in this discussion as "we," "us" or "our") for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002. We owned one commercial property. We generate almost all of our net operating income from property operations.

Net income for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002 was approximately $247,000, $280,000 and $306,000, respectively. The changes in net income are described in more detail below. The following table includes our selected summarized operating data for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002. This data should be read in conjunction with our financial statements, including the notes thereto.

	Period Ended December 27,	Years Ended December 31,	
	2004	2003	2002
Total revenues	$ 949,011	$ 949,011	$ 951,763
Operating expenses and operating expenses – affiliated	188,217	164,127	153,006
Depreciation and amortization	296,039	213,040	207,852
Total interest expense	107,697	131,736	176,836
Net income	247,498	280,014	306,111

During our most recent operating period net revenues have remained relatively stable. Operating expenses and operating expenses – affiliated have increased primarily due to an increase in prepaid leasing commissions amortization as the result of the sole tenant renewing their expiring lease in January 2005. Depreciation and amortization has also increased as the result of a change in estimate, by management, of the useful lives of the leasehold improvements of the sole tenant at Blankenbaker Business Center 1A. The leasehold improvements became fully depreciated at December 27, 2004 as the result of the sole tenant renewing their expiring lease in January 2005. Interest expense has decreased primarily due to continued principal payments made on the mortgage. The mortgage was repaid in full in December 2004 in relation to the merger with NTS Realty. Our net income has decreased primarily as the result of increased operating costs and depreciation and amortization.

Rental income and tenant reimbursements generated by our property were as follows:

	Period Ended December 27,	Years Ended December 31,	
	2004	2003	2002
Blankenbaker Business Center 1A	$ 949,011	$ 949,011	$ 951,763

The occupancy levels at our property were as follows:

	December 27,	December 31,	
	2004	2003	2002
Blankenbaker Business Center 1A	100%	100%	100%

The average occupancy levels at our property were as follows:

	Period Ended December 27, 2004	Years Ended December 31, 2003	Years Ended December 31, 2002
Blankenbaker Business Center 1A	100%	100%	100%

The following discussion relating to changes in our results of operations includes only those line items within our Statements of Operations for which there was a material change between the period ended December 27, 2004 and the years ended December 31, 2003 and 2002.

Rental Income and Tenant Reimbursements

Rental income and tenant reimbursements for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002 were approximately $949,000, $949,000, and $952,000, respectively. There was no change between the year ended December 31, 2003 to the period ended December 27, 2004 and the decrease of approximately $3,000 from the year ended December 31, 2002 to the year ended December 31, 2003 was not a significant change and is not indicative of any known trend or uncertainty. There were no offsetting material changes.

Operating Expenses and Operating Expenses – Affiliated

Operating expenses for the period ended December 27, 2004 and the year ended December 31, 2003 were approximately $143,000 and $121,000, respectively. The increase of approximately $22,000, or 18%, was primarily due to an increase in prepaid leasing commissions amortization as the result of the sole tenant renewing their expiring lease in January 2005. The lease commissions were fully amortized as of December 27, 2004. The increase can also be attributed to an increase in income tax expense, partially offset by a decrease in repairs and maintenance expense.

Operating expenses for the years ended December 31, 2003 and 2002 were approximately $121,000 and $115,000, respectively. The increase of approximately $6,000, or 5%, was not a significant change and is not indicative of any known trend or uncertainty. There were no offsetting material changes.

Operating expenses - affiliated for the period ended December 27, 2004 and the year ended December 31, 2003 were approximately $46,000 and $43,000, respectively. The increase of approximately $3,000, or 7%, was not a significant change and is not indicative of any known trend or uncertainty. There were no offsetting material changes.

Operating expenses - affiliated for the years ended December 31, 2003 and 2002 were approximately $43,000 and $38,000, respectively. The increase of approximately $5,000, or 13%, was a result of changes in personnel costs.

Operating expenses – affiliated are for services performed by employees of NTS Development Company, an affiliate of our general partner. These employee services include property management, leasing, maintenance and other services necessary to manage and operate our business.

Depreciation and Amortization Expense

Depreciation and amortization expense for the period ended December 27, 2004 and the year ended December 31, 2003 was approximately $296,000 and $213,000, respectively. The increase of approximately $83,000, or 39%, was primarily due to a change in estimate, by management, of the useful lives of the tenant improvements of the sole tenant at Blankenbaker Business Center 1A. The tenant improvements became fully depreciated at December 27, 2004 as the result of the sole tenant renewing its expiring lease in January 2005.

Depreciation and amortization expense for the years ended December 31, 2003 and 2002 was approximately $213,000 and $208,000, respectively. The increase of approximately $5,000, or 2%, was not a significant change and is not indicative of any known trend or uncertainty. There were no offsetting material changes.

Interest Expense

Interest expense for the period ended December 27, 2004 and the year ended December 31, 2003 was approximately $108,000 and $132,000, respectively. The decrease of approximately $24,000, or 18%, was primarily due to continued principal payments made on the mortgage in 2004. The mortgage was paid in full in December 2004 in relation to the merger with NTS Realty.

Interest expense for the year ended December 31, 2003 and 2002 was approximately $132,000 and $177,000, respectively. The decrease of approximately $45,000, or 25%, was primarily due to continued principal payments made on the mortgage in 2003.

Loss on Disposal of Assets

The 2003 loss on disposal of assets can be attributed to the retirement of the roof at Blankenbaker Business Center 1A. The loss represents the cost to retire assets, which were not fully depreciated at the time of replacement.

Liquidity and Capital Resources

The following table sets forth the cash provided by or used in operating activities, investing activities and financing activities for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002.

	Period Ended December 27,	Years Ended December 31,	
	2004	2003	2002
Operating activities	$ 951,226	$ 571,137	$ 514,316
Investing activities	(26,379)	(155,022)	(13,991)
Financing activities	(656,433)	(425,093)	(516,493)
Net increase (decrease) in cash and equivalents	$ 268,414	$ (8,978)	$ (16,168)

Cash Flow from Operating Activities

Net cash provided by operating activities increased from approximately $571,000 for the year ended December 31, 2003 to approximately $951,000 for the period ended December 27, 2004, primarily due to cash generated by operating results.

Net cash provided by operating activities increased from approximately $514,000 for the year ended December 31, 2002 to approximately $571,000 for the year ended December 31, 2003, primarily due to the change in accounts payable, partially offset by decreased net income from operations.

Cash Flow from Investing Activities

Net cash used in investing activities decreased from approximately $155,000 for the year ended December 31, 2003 to approximately $26,000 for the period ended December 27, 2004, primarily due to decreased capital expenditures as the result of replacing the roof in 2003.

Net cash used in investing activities increased from approximately $14,000 for the year ended December 31, 2002 to approximately $155,000 for the year ended December 31, 2003, primarily due to increased capital expenditures as the result of replacing the roof in 2003.

Cash Flow from Financing Activities

Net cash used in financing activities increased from approximately $425,000 for the year ended December 31, 2003 to approximately $656,000 for the period ended December 27, 2004, primarily due to the payoff of the mortgages as a result of the merger with NTS Realty.

Net cash used in financing activities decreased from approximately $516,000 for the year ended December 31, 2002 to approximately $425,000 for the year ended December 31, 2003, primarily due to capital contributions received in 2003 from NTS Properties IV, NTS Properties VII, Ltd. and ORIG, LLC, partially offset by continued principal payments made on the mortgage.

Future Liquidity

We believe the current occupancy level is considered adequate to fund the operations of our property. However, our future liquidity depends significantly on our property's occupancy remaining at a level which provides for debt payments and adequate working capital, currently and in the future. If occupancy were to fall below that level and remain at or below that level for a significant period of time, our ability to make payments due under our debt agreements and to continue paying daily operational costs would be greatly impaired. In addition, we may be required to obtain financing in connection with the capital improvements and leasing costs described below.

Currently, our plans for renovations and other major capital expenditures include tenant improvements at our commercial property as required by lease negotiations. Changes to current tenant improvements are a typical part of any lease negotiation. Improvements generally include a revision to the current floor plan to accommodate a tenant's needs, new carpeting and paint and/or wall covering. The extent and cost of the improvements are determined by the size of the space being leased and whether the improvements are for a new tenant or incurred because of a lease renewal.

As of January 12, 2005, we signed a lease renewal agreement with the sole tenant of our commercial building. As part of the lease renewal, approximately $2,703,000 in tenant improvements will be required. These improvements include HVAC replacements, courtyard, restroom, parking lot and loading dock renovations, ceiling tile replacements, new computer cabling, new visitor entrance, cafeteria relocation, monument signage, exterior window modifications, sewer system repairs, and design fees.

The demands of liquidity as discussed above will be managed by our general partner using cash provided by operations, cash reserves, existing financing or additional financing secured by our property. Typically, these capital improvements and leasing costs require use of existing financing or additional financing. There can be no guarantee that such funds will be available at which time our general partner will manage the demand on liquidity according to our best interest.

We had no other material commitments for renovations or capital expenditures as of December 27, 2004.

Cautionary Statements

Each of the forgoing discussions regarding liquidity, capital resources and results of operations are subject to a number of risks and uncertainties including, but not limited to the following:

- our ability to achieve planned revenues;
- our ability to control expenses relative to fluctuating revenues;
- our ability to make payments due under our debt agreements;
- our ability to negotiate and maintain terms with vendors and service providers for operating expenses;
- competitive pressures from other real estate companies, including large commercial and multifamily real estate companies, which may affect the nature and viability of our business strategy;
- trends in the economy as a whole which may affect consumer confidence and demand for the types of rental property held by us;
- our ability to predict the demand for specific rental properties;
- our ability to attract and retain tenants;
- availability and costs of management and labor employed;
- real estate occupancy and development costs, including the substantial fixed investment costs associated with renovations necessary to obtain new tenants and retain existing tenants;
- the risk of a major commercial tenant defaulting on its lease due to risks generally associated with real estate, many of which are beyond our control, including general or local economic conditions, competition, interest rates, real estate tax rates, other operating expenses and acts of God; and
- the risk of revised zoning laws, taxes, and utilities regulations as well as municipal mergers of local governmental entities.

Item 7A – Quantitative and Qualitative Disclosures About Market Risk

Our primary market risk exposure with regard to financial instruments is our exposure to changes in interest rates. We refinanced substantially all of our debt at the time of our merger with instruments which bear interest at a fixed rate with the exception of an approximately $14.0 million mortgage. We anticipate that a hypothetical 100 basis point increase in interest rates would result in an approximate $5,100,000 decrease in the fair value of our fixed rate debt while increasing interest expense on our variable rate debt by approximately $290,000 annually.

Item 8 – Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors
NTS Realty Holdings Limited Partnership:

We have audited the accompanying balance sheets of NTS Realty Holdings Limited Partnership (the Company) as of December 31, 2004 and January 15, 2004 and the related statements of operations, partners' equity and cash flows for the year ended December 31, 2004. We have also audited the accompanying balance sheets of NTS-Properties III, NTS-Properties IV, NTS-Properties V, A Maryland Limited Partnership, NTS-Properties VI, A Maryland Limited Partnership, NTS-Properties VII, Ltd., NTS Private Group and Blankenbaker Business Center 1A Joint Venture (collectively, Predecessors to the Company) as of December 31, 2003 and the related statements of operations, partners' equity and cash flows for the period from January 1, 2004 through December 27, 2004 and for the years ended December 31, 2003 and 2002. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NTS Realty Holdings Limited Partnership at December 31, 2004 and the results of its operations and its cash flows for the year ended December 31, 2004 and the financial position of NTS-Properties III, NTS-Properties IV, NTS-Properties V, A Maryland Limited Partnership, NTS-Properties VI, A Maryland Limited Partnership, NTS-Properties VII, Ltd., NTS Private Group and Blankenbaker Business Center 1A Joint Venture as of December 31, 2003 and the results of their operations and their cash flows for the period from January 1, 2004 through December 27, 2004 and for the years ended December 31, 2003 and 2002 in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

Ernst & Young LLP

Louisville, Kentucky
March 30, 2005

NTS REALTY HOLDINGS LIMITED PARTNERSHIP
BALANCE SHEETS
AS OF DECEMBER 31 AND JANUARY 15, 2004

	December 31, 2004	January 15, 2004
ASSETS		
Cash and equivalents	$ 2,573,855	$ 100
Cash and equivalents – restricted	313,255	-
Accounts receivable, net of allowance for doubtful accounts of $125,485 at December 31, 2004	1,609,802	-
Land, buildings and amenities, net	156,243,048	-
Other assets	5,807,464	-
TOTAL ASSETS	$ 166,547,424	$ 100
LIABILITIES AND PARTNERS' EQUITY		
Mortgages and notes payable	$ 112,799,938	$ -
Accounts payable and accrued expenses	2,588,663	-
Accounts payable and accrued expenses – affiliate	177,879	-
Security deposits	676,665	-
Other liabilities	774,294	-
TOTAL LIABILITIES	117,017,439	-
COMMITMENTS AND CONTINGENCIES (NOTE 9)		
PARTNERS' EQUITY	49,529,985	100
TOTAL LIABILITIES AND PARTNERS' EQUITY	$ 166,547,424	$ 100

The accompanying notes to financial statements are an integral part of these statements.

NTS REALTY HOLDINGS LIMITED PARTNERSHIP
PREDECESSORS'BALANCE SHEETS
DECEMBER 31, 2003

	NTS Properties III	NTS Properties IV	NTS Properties V	NTS Properties VI	NTS Properties VII	NTS Private Group	BBC 1A
ASSETS							
Cash and equivalents	$ 180,911	298,240	191,321	125,342	263,655	440,049	33,977
Cash and equivalents – restricted	9,233	47,101	363,643	245,599	26,625	80,064	7,914
Accounts receivable, net	804,027	171,432	576,113	132,859	4,577	716,510	67,907
Land, buildings and amenities, net	9,118,287	5,847,221	20,360,408	40,446,437	7,091,886	35,115,339	3,014,838
Other assets	347,164	1,198,424	893,961	1,203,286	789,567	1,366,956	69,302
Investments	-	92,601	-	-	46,021	-	-
TOTAL ASSETS	$10,459,622	7,655,019	22,385,446	42,153,523	8,222,331	37,718,918	3,193,938
LIABILITIES AND PARTNERS' EQUITY							
Mortgages and notes payable	$ 6,309,037	3,180,515	13,614,792	31,872,038	3,339,017	36,599,920	1,186,699
Accounts payable and accrued expenses	291,500	246,940	725,261	615,661	184,617	596,279	15,322
Accounts payable and accrued expenses – affiliate	-	-	294,771	206,789	-	-	-
Security deposits	143,292	28,663	210,252	239,429	26,700	212,398	-
Other liabilities	34,246	75,422	192,601	541,677	22,572	168,120	48,837
TOTAL LIABILITIES	6,778,075	3,531,540	15,037,677	33,475,594	3,572,906	37,576,717	1,250,858
COMMITMENTS AND CONTINGENCIES (NOTE 11)							
MINORITY INTEREST	-	-	1,015,947	-	-	-	-
PARTNERS' EQUITY	3,681,547	4,123,479	6,331,822	8,677,929	4,649,425	142,201	1,943,080
TOTAL LIABILITIES AND PARTNERS' EQUITY	$10,459,622	7,655,019	22,385,446	42,153,523	8,222,331	37,718,918	3,193,938

The accompanying notes to financial statements are an integral part of these statements.

NTS REALTY HOLDINGS LIMITED PARTNERSHIP
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2004

		2004
REVENUES		
Rental income	$	-
Tenant reimbursements		-
TOTAL REVENUES		-
EXPENSES		
Professional and administrative expenses		312,027
Professional and administrative expenses – affiliated		2,543
TOTAL OPERATING EXPENSES		314,570
OPERATING LOSS		(314,570)
Interest and other income		2,978
Interest expense		(61,689)
Settlement charge		(2,896,259)
Net loss	$	(3,269,540)
Net loss allocated to limited partners	$	(3,064,291)
Net loss per limited partnership unit	$	(0.29)
Number of limited partnership units		10,667,117

The accompanying notes to financial statements are an integral part of these statements.

NTS REALTY HOLDINGS LIMITED PARTNERSHIP
PREDECESSORS' STATEMENTS OF OPERATIONS
FOR THE PERIOD FROM JANUARY 1, 2004 TO DECEMBER 27, 2004

	NTS Properties III	NTS Properties IV	NTS Properties V	NTS Properties VI	NTS Properties VII	NTS Private Group	BBC 1A
REVENUES							
Rental income	$ 3,456,002	2,064,585	3,831,453	10,801,371	1,571,552	8,768,235	752,787
Tenant reimbursements	355,006	170,362	1,156,227	1,611	-	505,334	196,224
TOTAL REVENUES	3,811,008	2,234,947	4,987,680	10,802,982	1,571,552	9,273,569	949,011
EXPENSES							
Operating expenses	861,730	494,648	1,590,944	3,217,277	394,960	1,688,990	142,697
Operating expenses – affiliated	332,761	473,634	629,365	1,621,749	283,481	746,192	45,520
Management fees	181,963	125,242	276,476	549,901	79,390	559,082	56,946
Real estate taxes	207,702	118,737	541,946	591,783	79,119	401,254	52,710
Professional and administrative expenses	384,710	618,122	844,973	1,029,137	358,214	158,374	-
Professional and administrative expenses – affiliated	155,872	166,250	212,127	432,158	142,424	-	-
Depreciation and amortization	1,051,918	488,462	1,323,426	2,663,614	408,391	2,007,353	296,039
TOTAL OPERATING EXPENSES	3,176,656	2,485,095	5,419,257	10,105,619	1,745,979	5,561,245	593,912
OPERATING INCOME (LOSS)	634,352	(250,148)	(431,577)	697,363	(174,427)	3,712,324	355,099
Interest and other income	217,175	211,508	374,782	748,531	30,591	22,757	96
Interest expense	(1,104,216)	(552,637)	(2,080,950)	(3,381,358)	(264,931)	(5,855,434)	(107,697)
Loss on disposal of assets	(1,261)	(12,200)	(6,181)	(14,404)	(1,700)	(38,706)	-
(Loss) income from investment in joint ventures	-	(36,923)	-	-	77,565	-	-
(Loss) income before minority interest	(253,950)	(640,400)	(2,143,926)	(1,949,868)	(332,902)	(2,159,059)	247,498
Minority interest	-	-	(212,619)	35,561	-	-	-
Net (loss) income	$ (253,950)	(640,400)	(1,931,307)	(1,985,429)	(332,902)	(2,159,059)	247,498
Net loss allocated to the limited partners	$ (204,535)	(633,996)	(1,911,994)	(1,965,575)	(329,573)		
Net loss per limited partnership unit	$ (16.27)	(26.30)	(62.65)	(50.54)	(0.60)		
Weighted average number of limited partnership units	12,570	24,109	30,521	38,889	552,236		

The accompanying notes to financial statements are an integral part of these statements.

NTS REALTY HOLDINGS LIMITED PARTNERSHIP
PREDECESSORS' STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2003

	NTS Properties III	NTS Properties IV	NTS Properties V	NTS Properties VI	NTS Properties VII	NTS Private Group	BBC 1A
REVENUES							
Rental income	$3,396,583	2,412,791	3,970,342	10,837,063	1,637,858	8,754,844	752,787
Tenant reimbursements	367,297	180,238	1,110,788	2,743	-	514,590	196,224
TOTAL REVENUES	3,763,880	2,593,029	5,081,130	10,839,806	1,637,858	9,269,434	949,011
EXPENSES							
Operating expenses	842,779	500,182	1,435,268	2,941,389	406,138	1,459,097	121,034
Operating expenses – affiliated	298,986	373,914	572,350	1,500,956	264,324	649,846	43,093
Management fees	179,651	145,239	286,176	548,558	82,176	556,157	56,960
Real estate taxes	206,470	115,806	508,053	1,057,245	78,054	405,145	51,938
Professional and administrative expenses	305,687	390,396	660,988	763,430	277,924	116,016	-
Professional and administrative expenses – affiliated	143,346	146,608	186,979	394,841	131,572	-	-
Depreciation and amortization	1,096,104	509,915	1,242,694	2,620,136	407,690	1,916,497	213,040
TOTAL OPERATING EXPENSES	3,073,023	2,182,060	4,892,508	9,826,555	1,647,878	5,102,758	486,065
OPERATING INCOME (LOSS)	690,857	410,969	188,622	1,013,251	(10,020)	4,166,676	462,946
Interest and other income	17,596	7,894	126,934	132,071	6,707	73,164	317
Interest expense	(433,874)	(263,897)	(977,126)	(2,513,893)	(254,763)	(2,942,574)	(131,736)
Loss on disposal of assets	(6,435)	(16,895)	(5,784)	(103,506)	-	(119,773)	(51,513)
Income from investment in joint ventures	-	119,295	-	-	87,757	-	-
Income (loss) before minority interest	268,144	257,366	(667,354)	(1,472,077)	(170,319)	1,177,493	280,014
Minority interest	-	-	(5,090)	35,228	-	-	-
Net income (loss)	$ 268,144	257,366	(662,264)	(1,507,305)	(170,319)	1,177,493	280,014
Net income (loss) allocated to the limited partners	$ 312,826	254,792	(655,641)	(1,492,232)	(168,616)		
Net income (loss) per limited partnership unit	$ 24.89	10.57	(21.48)	(38.37)	(0.31)		
Weighted average number of limited partnership units	12,570	24,109	30,521	38,889	552,236		

The accompanying notes to financial statements are an integral part of these statements.

NTS REALTY HOLDINGS LIMITED PARTNERSHIP
PREDECESSORS' STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2002

	NTS Properties III	NTS Properties IV	NTS Properties V	NTS Properties VI	NTS Properties VII	NTS Private Group	BBC 1A
REVENUES							
Rental income	$3,518,484	2,204,548	3,894,447	10,603,305	1,515,528	9,525,048	752,787
Tenant reimbursements	358,797	178,957	1,112,148	7,284	-	518,185	198,976
TOTAL REVENUES	3,877,281	2,383,505	5,006,595	10,610,589	1,515,528	10,043,233	951,763
EXPENSES							
Operating expenses	845,350	557,689	1,467,950	2,882,559	418,331	1,479,305	114,999
Operating expenses – affiliated	318,376	414,429	675,184	1,594,783	266,307	731,667	38,007
Management fees	188,331	135,082	283,677	546,539	77,413	588,510	57,133
Real estate taxes	206,035	122,565	515,924	883,396	84,039	404,283	51,281
Professional and administrative expenses	118,507	154,049	233,440	279,351	100,183	-	-
Professional and administrative expenses – affiliated	137,511	143,715	167,824	390,127	115,224	-	-
Depreciation and amortization	1,176,574	500,548	1,339,126	2,801,218	501,168	1,844,041	207,852
TOTAL OPERATING EXPENSES	2,990,684	2,028,077	4,683,125	9,377,973	1,562,665	5,047,806	469,272
OPERATING INCOME (LOSS)	886,597	355,428	323,470	1,232,616	(47,137)	4,995,427	482,491
Interest and other income	21,518	7,963	27,554	21,219	7,753	69,687	456
Interest income – affiliated	-	-	-	-	-	143,176	-
Interest expense	(495,940)	(312,205)	(1,039,498)	(2,578,183)	(266,573)	(3,119,435)	(176,836)
Interest expense – affiliated	-	-	-	-	-	(155,583)	-
Loss on disposal of assets	(4,589)	(50,770)	(69,972)	(5,041)	(1,674)	(432)	-
Income from investment in joint ventures	-	81,502	-	-	95,935	-	-
Income (loss) before minority interest	407,586	81,918	(758,446)	(1,329,389)	(211,696)	1,932,840	306,111
Minority interest	-	-	(74,459)	37,145	-	-	-
Net income (loss)	$ 407,586	81,918	(683,987)	(1,366,534)	(211,696)	1,932,840	306,111
Net income (loss) allocated to the limited partners	$ 456,133	81,099	(677,147)	(1,352,869)	(209,579)		
Net income (loss) per limited partnership unit	$ 36.29	3.36	(22.19)	(34.79)	(0.38)		
Weighted average number of limited partnership units	12,570	24,109	30,521	38,889	552,236		

The accompanying notes to financial statements are an integral part of these statements.

NTS REALTY HOLDINGS LIMITED PARTNERSHIP
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2004

		2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$	(3,269,540)
Adjustments to reconcile net loss to net cash used in operating activities:		
Settlement charge		2,896,259
Changes in assets and liabilities:		
Other assets		(182,326)
Accounts payable and accrued expenses		477,090
Accounts payable and accrued expenses – affiliate		386
Net cash used in operating activities		(78,131)
CASH FLOWS FROM INVESTING ACTIVITIES		-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from refinancing mortgages and notes payable		104,921,350
Principal payments on mortgages and notes payable		(950,000)
Advances to refinance predecessors' mortgages and notes payable		(89,172,270)
Payoff to refinance mortgages and notes payable		(13,563,968)
Cash contributed via merger		2,514,062
Additions to loan costs		(1,097,288)
Net cash provided by financing activities		2,651,886
Net increase in cash and equivalents		2,573,755
CASH AND EQUIVALENTS, beginning of period		100
CASH AND EQUIVALENTS, end of period	$	2,573,855

The accompanying notes to financial statements are an integral part of these statements.

NTS REALTY HOLDINGS LIMITED PARTNERSHIP
PREDECESSORS' STATEMENTS OF CASH FLOWS
FOR THE PERIOD FROM JANUARY 1, 2004 TO DECEMBER 27, 2004

	NTS Properties III	NTS Properties IV	NTS Properties V	NTS Properties VI	NTS Properties VII	NTS Private Group	BBC 1A
CASH FLOWS FROM OPERATING ACTIVITIES							
Net (loss) income	$ (253,950)	(640,400)	(1,931,307)	(1,985,429)	(332,902)	(2,159,059)	247,498
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:							
Provision for doubtful accounts	14,666	3,390	117,824	97,456	12,417	153,854	-
Write-off of uncollectible accounts receivable	(2,092)	(8,833)	(7,522)	(110,406)	(14,777)	(16,217)	-
Loss on disposal of assets	1,261	12,200	6,181	14,404	1,700	38,706	-
Depreciation and amortization	1,166,345	514,538	1,546,043	2,717,934	411,252	2,279,668	361,383
Write-off of loan costs	47,647	16,336	130,853	261,355	24,449	214,464	1,652
Income (loss) from investment in joint ventures	-	36,923	-	-	(77,565)	-	-
Minority interest (loss) income	-	-	(212,619)	35,561	-	-	-
Yield maintenance premiums	693,160	327,590	1,005,521	778,458	-	3,011,814	18,419
Changes in assets and liabilities:							
Cash and equivalents – restricted	9,233	26,207	340,199	12,294	(525)	70,815	(547)
Accounts receivable	(217,246)	17,680	(171,477)	113,615	5,549	(8,812)	20,749
Other assets	(75,421)	(5,815)	(75,173)	(33,758)	3,700	(215,603)	1,279
Accounts payable and accrued expenses	(120,351)	136,722	76,701	28,809	(45,410)	(234,145)	(7,403)
Accounts payable and accrued expenses – affiliate	15,256	(9,081)	(345,514)	(134,600)	(79,407)	34,521	304,168
Security deposits	5,590	(2,950)	20,060	5,630	-	(29,801)	-
Other liabilities	646	26,663	(36,423)	(135,670)	1,128	16,511	4,028
Net cash provided by (used in) operating activities	1,284,744	451,170	463,347	1,665,653	(90,391)	3,156,716	951,226
CASH FLOWS FROM INVESTING ACTIVITIES							
Additions to land, buildings and amenities	(189,422)	(120,395)	(443,645)	(719,744)	(13,846)	(857,672)	(26,379)
Proceeds from sales of land, buildings and amenities	-	-	-	-	-	20,003	-
Investment in and advances (to) from joint ventures	-	132,483	-	-	113,930	-	-
Minority interest	-	-	26,295	(51,086)	-	-	-
Net cash (used in) provided by investing activities	(189,422)	12,088	(417,350)	(770,830)	100,084	(837,669)	(26,379)
CASH FLOWS FROM FINANCING ACTIVITIES							
Proceeds from mortgages and notes payable	-	-	396,653	19,216	-	400,000	-
Principal payments on mortgages and notes payable	(442,192)	(579,588)	(1,262,240)	(2,216,594)	(160,840)	(2,786,019)	(595,096)
Refinancing / loan payoff	(6,560,005)	(2,928,517)	(13,754,726)	(27,532,038)	(3,178,177)	(31,318,207)	(610,022)
Advance from NTS Realty	6,581,327	2,941,532	14,701,488	29,371,242	3,251,759	31,412,706	912,217
Cash distributions	-	-	-	-	-	(1,114,100)	(363,532)
Cash contributions	-	-	-	-	-	902,000	-
Additions to loan costs	(1,975)	-	(3,116)	-	-	-	-
Net cash provided by (used in) financing activities	(422,845)	(566,573)	78,059	(358,174)	(87,258)	(2,503,620)	(656,433)
Net increase (decrease) in cash and equivalents	672,477	(103,315)	124,056	536,649	(77,565)	(184,573)	268,414
CASH AND EQUIVALENTS, beginning of period	180,911	298,240	191,321	125,342	263,655	440,049	33,977
CASH AND EQUIVALENTS, end of period	$ 853,388	194,925	315,377	661,991	186,090	255,476	302,391
Interest and yield maintenance premiums paid on a cash basis	$ 1,074,532	549,616	1,972,669	3,196,545	249,083	5,740,666	98,555

The accompanying notes to financial statements are an integral part of these statements.

NTS REALTY HOLDINGS LIMITED PARTNERSHIP
PREDECESSORS' STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2003

	NTS Properties III	NTS Properties IV	NTS Properties V	NTS Properties VI	NTS Properties VII	NTS Private Group	BBC 1A
CASH FLOWS FROM OPERATING ACTIVITIES							
Net income (loss)	$ 268,144	257,366	(662,264)	(1,507,305)	(170,319)	1,177,493	280,014
Adjustments to reconcile net income (loss) to net cash provided by operating activities:							
Loss on disposal of assets	6,435	16,895	5,784	103,506	-	119,773	51,513
Depreciation and amortization	1,208,522	553,353	1,459,207	2,672,111	410,811	2,192,063	252,493
Loss from investment in joint ventures	-	(119,295)	-	-	(87,757)	-	-
Minority interest (loss) income	-	-	(5,090)	35,228	-	-	-
Changes in assets and liabilities:							
Cash and equivalents – restricted	(3,155)	(20,351)	(289,041)	(8,190)	2,150	134,949	(4,251)
Accounts receivable	(172,790)	(48,020)	(243,834)	(98,745)	(45)	28,734	(16,777)
Other assets	(142,517)	3,487	(250,302)	(4,996)	3,991	(86,591)	4,155
Accounts payable and accrued expenses	163,477	142,294	456,321	1,114	136,034	34,737	6,282
Accounts payable and accrued expenses – affiliate	-	-	294,771	206,789	-	-	-
Security deposits	(13,966)	(2,968)	45,545	12,836	(2,075)	17,259	-
Other liabilities	(64,969)	(11,027)	(12,470)	106,371	(18,338)	(26,643)	(2,292)
Net cash provided by operating activities	1,249,181	771,734	798,627	1,518,719	274,452	3,591,774	571,137
CASH FLOWS FROM INVESTING ACTIVITIES							
Additions to land, buildings and amenities	(469,668)	(118,173)	(847,587)	(724,970)	(200,794)	(1,183,840)	(155,022)
Proceeds from sales of land, buildings and amenities	-	2,781	3,123	-	797	-	-
Notes receivable – affiliate	-	-	-	-	-	6,161,241	-
Investment in and advances (to) from joint ventures	-	41,098	-	-	(38,132)	-	-
Minority interest	-	-	(14,073)	(62,831)	-	-	-
Net cash (used in) provided by investing activities	(469,668)	(74,294)	(858,537)	(787,801)	(238,129)	4,977,401	(155,022)
CASH FLOWS FROM FINANCING ACTIVITIES							
Proceeds from mortgages and notes payable	-	-	3,098,101	400,000	-	152,928	-
Principal payments on mortgages and notes payable	(987,051)	(604,929)	(3,000,679)	(2,064,390)	(155,201)	(3,022,310)	(546,767)
Notes payable – affiliate	-	-	-	-	-	(6,664,748)	-
Cash distributions	-	-	-	-	-	(377,000)	(6,636)
Cash contributions	-	-	-	-	-	1,351,369	128,310
Additions to loan costs	-	-	(81,992)	-	-	(989)	-
Net cash (used in) provided by financing activities	(987,051)	(604,929)	15,430	(1,664,390)	(155,201)	(8,560,750)	(425,093)
Net (decrease) increase in cash and equivalents	(207,538)	92,511	(44,480)	(933,472)	(118,878)	8,425	(8,978)
CASH AND EQUIVALENTS, beginning of period	388,449	205,729	235,801	1,058,814	382,533	431,624	42,955
CASH AND EQUIVALENTS, end of period	$ 180,911	298,240	191,321	125,342	263,655	440,049	33,977
Interest paid on a cash basis	$ 433,073	260,306	920,073	2,478,435	252,155	2,802,304	126,369

The accompanying notes to financial statements are an integral part of these statements.

NTS REALTY HOLDINGS LIMITED PARTNERSHIP
PREDECESSORS' STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2002

	NTS Properties III	NTS Properties IV	NTS Properties V	NTS Properties VI	NTS Properties VII	NTS Private Group	BBC 1A
CASH FLOWS FROM OPERATING ACTIVITIES							
Net income (loss)	$ 407,586	81,918	(683,987)	(1,366,534)	(211,696)	1,932,840	306,111
Adjustments to reconcile net income (loss) to net cash provided by operating activities:							
Loss on disposal of assets	4,589	50,770	69,972	5,041	1,674	432	-
Depreciation and amortization	1,298,636	541,934	1,575,006	2,870,049	504,289	2,125,666	247,306
Loss from investment in joint ventures	-	(81,502)	-	-	(95,935)	-	-
Minority interest (loss) income	-	-	(74,459)	37,145	-	-	-
Changes in assets and liabilities:							
Cash and equivalents – restricted	10,469	1,007	45,822	(19,503)	(5,207)	(7,669)	5,934
Accounts receivable	(111,786)	20,141	(94,579)	18,275	(3,359)	(40,032)	9,108
Other assets	(66,769)	(7,988)	(222,841)	(39,980)	5,780	(249,644)	(1,666)
Accounts payable and accrued expenses	(36,557)	(7,144)	(317,681)	(317,748)	(49,021)	(188,742)	(50,183)
Security deposits	15,334	1,700	(49,425)	3,060	5,400	10,915	-
Other liabilities	23,142	48,388	87,631	121,156	32,224	56,779	(2,294)
Net cash provided by operating activities	1,544,644	649,224	335,459	1,310,961	184,149	3,640,545	514,316
CASH FLOWS FROM INVESTING ACTIVITIES							
Additions to land, buildings and amenities	(410,360)	(249,080)	(732,892)	(265,559)	(72,080)	(266,208)	(13,991)
Proceeds from sales of land, buildings and amenities	-	498	559	539	364	-	-
Notes receivable – affiliate	-	-	-	-	-	(162,114)	-
Investment in and advances (to) from joint ventures	-	(86,312)	-	-	4,428	-	-
Minority interest	-	-	230,198	(52,152)	-	-	-
Net cash used in investing activities	(410,360)	(334,894)	(502,135)	(317,172)	(67,288)	(428,322)	(13,991)
CASH FLOWS FROM FINANCING ACTIVITIES							
Proceeds from mortgages and notes payable	-	-	955,974	2,000,000	-	81,831	-
Principal payments on mortgages and notes payable	(1,100,827)	(570,708)	(1,231,420)	(1,937,954)	(165,560)	(2,799,587)	(502,363)
Notes payable – affiliate	-	-	-	-	-	554,901	-
Cash distributions	-	-	-	-	-	(1,231,100)	(14,130)
Cash contributions	-	-	-	-	-	-	-
Additions to loan costs	-	-	(4,525)	(57,188)	-	(2,156)	-
Net cash (used in) provided by financing activities	(1,100,827)	(570,708)	(279,971)	4,858	(165,560)	(3,396,111)	(516,493)
Net increase (decrease) in cash and equivalents	33,457	(256,378)	(446,647)	998,647	(48,699)	(183,888)	(16,168)
CASH AND EQUIVALENTS, beginning of period	354,992	462,107	682,448	60,167	431,232	615,512	59,123
CASH AND EQUIVALENTS, end of period	$ 388,449	205,729	235,801	1,058,814	382,533	431,624	42,955
Interest paid on a cash basis	$ 495,105	308,287	987,759	2,534,995	263,928	3,042,759	170,773

The accompanying notes to financial statements are an integral part of these statements.

NTS REALTY HOLDINGS LIMITED PARTNERSHIP
STATEMENTS OF PARTNERS' EQUITY (1)
FOR THE YEAR ENDED DECEMBER 31, 2004

	General Partner Interests	Limited Partners Interests	General Partner	Limited Partners	Total
PARTNERS' EQUITY					
Balances on January 1, 2004	-	-	$ -	$ -	$ -
Capital contribution on January 15, 2004	-	-	100	-	100
Net loss	-	-	(205,249)	(3,064,291)	(3,269,540)
Non-cash settlement charge	-	-	181,816	2,714,443	2,896,259
Issuance of limited partnership units	714,491	10,667,117	3,132,721	46,770,445	49,903,166
Balances on December 31, 2004	714,491	10,667,117	$ 3,109,388	$ 46,420,597	$ 49,529,985

(1) For the period presented, there are no elements of other comprehensive income as defined by the Financial Accounting Standards Board, Statement of Financial Accounting Standards Statement No. 130, "Reporting Comprehensive Income."

The accompanying notes to financial statements are an integral part of these statements.

NTS REALTY HOLDINGS LIMITED PARTNERSHIP
PREDECESSORS' STATEMENTS OF PARTNERS' EQUITY (1)
FOR THE PERIOD FROM JANUARY 1, 2004 TO DECEMBER 27, 2004
AND THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NTS-Properties III

	Limited Partners' Interests	Limited Partners	General Partner	Total
PARTNERS' EQUITY/(DEFICIT)				
Balances on January 1, 2002	12,570	$ 3,334,101	$ (328,284)	$ 3,005,817
Net income (loss)	-	456,133	(48,547)	407,586
Balances on December 31, 2002	12,570	3,790,234	(376,831)	3,413,403
Net income (loss)	-	312,826	(44,682)	268,144
Balances on December 31, 2003	12,570	4,103,060	(421,513)	3,681,547
Net loss	-	(204,535)	(49,415)	(253,950)
Merger into NTS Realty	(12,570)	(3,898,525)	470,928	(3,427,597)
Balances on December 27, 2004	-	$ -	$ -	$ -

NTS-Properties IV

	Limited Partners' Interests	Limited Partners	General Partner	Total
PARTNERS' EQUITY/(DEFICIT)				
Balances on January 1, 2002	24,109	$ 3,995,123	$ (210,928)	$ 3,784,195
Net income	-	81,099	819	81,918
Balances on December 31, 2002	24,109	4,076,222	(210,109)	3,866,113
Net income	-	254,792	2,574	257,366
Balances on December 31, 2003	24,109	4,331,014	(207,535)	4,123,479
Net loss	-	(633,996)	(6,404)	(640,400)
Merger into NTS Realty	(24,109)	(3,697,018)	213,939	(3,483,079)
Balances on December 27, 2004	-	$ -	$ -	$ -

(1) For the periods presented, there are no elements of other comprehensive income as defined by the Financial Accounting Standards Board, Statement of Financial Accounting Standards Statement No. 130, "Reporting Comprehensive Income."

The accompanying notes to financial statements are an integral part of these statements.

NTS REALTY HOLDINGS LIMITED PARTNERSHIP
PREDECESSORS' STATEMENTS OF PARTNERS' EQUITY (1)
FOR THE PERIOD FROM JANUARY 1, 2004 TO DECEMBER 27, 2004
AND THE YEARS ENDED DECEMBER 31, 2003 AND 2002 (CONTINUED)

NTS-Properties V

	Limited Partners' Interests	Limited Partners	General Partner	Total
PARTNERS' EQUITY/(DEFICIT)				
Balances on January 1, 2002	30,521	$ 7,784,080	$ (106,007)	$ 7,678,073
Net loss	-	(677,147)	(6,840)	(683,987)
Balances on December 31, 2002	30,521	7,106,933	(112,847)	6,994,086
Net loss	-	(655,641)	(6,623)	(662,264)
Balances on December 31, 2003	30,521	6,451,292	(119,470)	6,331,822
Net loss	-	(1,911,994)	(19,313)	(1,931,307)
Merger into NTS Realty	(30,521)	(4,539,298)	138,783	(4,400,515)
Balances on December 27, 2004	-	$ -	$ -	$ -

NTS-Properties VI

	Limited Partners' Interests	Limited Partners	General Partner	Total
PARTNERS' EQUITY/(DEFICIT)				
Balances on January 1, 2002	38,889	$ 11,766,941	$ (215,173)	$ 11,551,768
Net loss	-	(1,352,869)	(13,665)	(1,366,534)
Balances on December 31, 2002	38,889	10,414,072	(228,838)	10,185,234
Net loss	-	(1,492,232)	(15,073)	(1,507,305)
Balances on December 31, 2003	38,889	8,921,840	(243,911)	8,677,929
Net loss	-	(1,965,575)	(19,854)	(1,985,429)
Merger into NTS Realty	(38,889)	(6,956,265)	263,765	(6,692,500)
Balances on December 27, 2004	-	$ -	$ -	$ -

(1) For the periods presented, there are no elements of other comprehensive income as defined by the Financial Accounting Standards Board, Statement of Financial Accounting Standards Statement No. 130, "Reporting Comprehensive Income."

The accompanying notes to financial statements are an integral part of these statements.

NTS REALTY HOLDINGS LIMITED PARTNERSHIP
PREDECESSORS' STATEMENTS OF PARTNERS' EQUITY (1)
FOR THE PERIOD FROM JANUARY 1, 2004 TO DECEMBER 27, 2004
AND THE YEARS ENDED DECEMBER 31, 2003 AND 2002 (CONTINUED)

NTS-Properties VII

	Limited Partners' Interests	Limited Partners	General Partner	Total
PARTNERS' EQUITY/(DEFICIT)				
Balances on January 1, 2002	552,236	$ 5,086,022	$ (54,582)	$ 5,031,440
Net loss	-	(209,579)	(2,117)	(211,696)
Balances on December 31, 2002	552,236	4,876,443	(56,699)	4,819,744
Net loss	-	(168,616)	(1,703)	(170,319)
Balances on December 31, 2003	552,236	4,707,827	(58,402)	4,649,425
Net loss	-	(329,573)	(3,329)	(332,902)
Merger into NTS Realty	(552,236)	(4,378,254)	61,731	(4,316,523)
Balances on December 27, 2004	-	$ -	$ -	$ -

NTS Private Group

	Partners' Equity/(Deficit)
Balance on January 1, 2002	$ (2,216,746)
Net income	1,932,840
Distributions	(1,231,100)
Balance on December 31, 2002	(1,515,006)
Contributions	1,351,369
Net income	1,177,493
Distributions	(871,655)
Balance on December 31, 2003	142,201
Contributions	902,000
Net loss	(2,159,059)
Distributions	(1,114,100)
Balance on December 27, 2004	$ (2,228,958)

(1) For the periods presented, there are no elements of other comprehensive income as defined by the Financial Accounting Standards Board, Statement of Financial Accounting Standards Statement No. 130, "Reporting Comprehensive Income."

The accompanying notes to financial statements are an integral part of these statements.

NTS REALTY HOLDINGS LIMITED PARTNERSHIP
PREDECESSORS' STATEMENTS OF PARTNERS' EQUITY (1)
FOR THE PERIOD FROM JANUARY 1, 2004 TO DECEMBER 27, 2004
AND THE YEARS ENDED DECEMBER 31, 2003 AND 2002 (CONTINUED)

Blankenbaker Business Center 1A

	Partners' Equity
Balance on January 1, 2002	$ 1,249,411
Net income	306,111
Distributions	(14,130)
Balance on December 31, 2002	1,541,392
Net income	280,014
Distributions	(6,636)
Capital contributions	128,310
Balance on December 31, 2003	1,943,080
Net income	247,498
Distributions	(363,532)
Merger into NTS Realty	(1,827,046)
Balance on December 27, 2004	$ -

(1) For the periods presented, there are no elements of other comprehensive income as defined by the Financial Accounting Standards Board, Statement of Financial Accounting Standards Statement No. 130, "Reporting Comprehensive Income."

The accompanying notes to financial statements are an integral part of these statements.

NTS REALTY HOLDINGS LIMITED PARTNERSHIP
NOTES TO FINANCIAL STATMENTS

Note 1 – Organization

NTS Realty Holdings Limited Partnership ("NTS Realty"), a newly formed limited partnership, was organized in the state of Delaware in 2003. Our registration statement on Form S-4 was made effective by the Securities and Exchange Commission ("SEC") on October 27, 2004 with respect to a proposed merger of NTS-Properties III; NTS-Properties IV; NTS-Properties V, a Maryland limited partnership; NTS-Properties VI, a Maryland limited partnership; and NTS-Properties VII, Ltd. (the "Partnerships") registered under the Securities Exchange Act of 1934, along with other real estate entities affiliated with their general partners, specifically Blankenbaker Business Center 1A and the NTS Private Group's assets and liabilities. Certain litigation as described in Note - 9 Commitments and Contingencies was settled as a result of the merger. The merger was completed on December 28, 2004 after a majority of each Partnership's limited partners voted for the merger. The Partnerships and Blankenbaker Business Center 1A were terminated by the merger and ceased to exist. Concurrent with the merger, ORIG, LLC, a Kentucky limited liability company ("ORIG"), affiliated with the Partnerships' general partners, contributed substantially all of its assets and liabilities to NTS Realty, including the NTS Private Group properties.

The Partnerships, NTS Private Group and Blankenbaker Business Center 1A are referred to as NTS Realty's Predecessors (the "Predecessors"). NTS Realty did not have significant operations until the merger on December 28, 2004. All operations prior to that are for the Predecessors and are reflected as such in the accompanying Statements of Operations. The Predecessors' operating results were substantially complete as of December 27, 2004 for the calendar year ended December 31, 2004, making the results for the period from January 1, 2004 to December 27, 2004 comparable to the years ended December 31, 2003 and 2002. No adjustments or reconciliations are necessary for comparability.

In connection with the merger, we issued 11,381,608 limited partnership units to the former partners of the Partnerships and to ORIG.

At the time of the merger, we refinanced approximately $94.0 million of debt on the properties contributed by the Partnerships and ORIG with approximately $104.0 million of new debt. Acquisition of the new debt required us to pay the yield maintenance premium on the refinanced debt, which totaled approximately $5.8 million.

We are in the business of developing, constructing, owning and operating multifamily properties, commercial and retail real estate and land leases. Following the merger and contribution and as of December 31, 2004, we own thirty-two properties, comprised of: nine multifamily properties; nineteen office and business centers; three retail properties; and one ground lease. The properties are located in and around Louisville (22) and Lexington (3), Kentucky; Orlando (2) and Fort Lauderdale (3), Florida; Indianapolis (1), Indiana and Atlanta (1), Georgia. Our office and business centers aggregate approximately 1.7 million square feet. We own multifamily properties containing approximately 1,350 units and retail properties containing approximately 210,000 square feet of space, as well as one ground lease associated with a 120-space parking lot attached to one of our properties.

The terms "we," "us" or "our," as the context requires, may refer to NTS Realty, one of the Partnerships or their interests in the properties and joint ventures listed below.

Note 2 – Significant Accounting Policies

A) Basis of Presentation

The consolidated financial statements of NTS-Properties V and NTS-Properties VI include the accounts of all wholly-owned properties and majority-owned joint ventures. Intercompany transactions and balances have been eliminated.

Consolidation of Variable Interest Entities

In January 2003, the FASB issued Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities, an interpretation of ARB 51." In December 2003, the FASB issued FIN No. 46 (Revised December 2003), "*Consolidation of Variable Interest Entities*" ("FIN 46-R") to address certain FIN 46 implementation issues. The primary objectives of these interpretations are to provide guidance on the identification of entities for which control is achieved through means other than through voting rights ("variable interest entities") and how to determine when and which business enterprise (the "primary beneficiary") should consolidate the variable interest entity.

Our adoption of these provisions did not have any impact on our financial statements.

Minority Interest

In May 2003, the FASB issued Statement No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity ("SFAS 150"). SFAS 150 establishes standards for classifying and measuring as liabilities certain financial instruments that embody obligations of the issuer and have characteristics of both liabilities and equity. SFAS 150 was effective for all financial instruments created or modified after May 31, 2003, and otherwise was effective at the beginning of the first interim period beginning after June 15, 2003. On November 7, 2003, FASB Staff Position No. FAS 150-3 was issued, which deferred for an indefinite period the classification and measurement provisions, but not the disclosure provisions of SFAS 150.

NTS-Properties V and NTS-Properties VI consolidated certain properties that were also owned by affiliated parties that have noncontrolling interests. In certain cases, the applicable joint venture agreement provides for a contractual termination date of the agreement based on certain specified events. SFAS 150 describes this type of arrangement as a "limited-life subsidiary". SFAS 150 requires the disclosure of the estimated settlement value of these noncontrolling interests. As of December 31, 2003, the estimated settlement value of these noncontrolling interests for NTS-Properties V and NTS-Properties VI was approximately $3,147,000 and $555,000, respectively. This settlement value is based on estimated third party consideration paid to the joint venture upon disposition of each property and is net of all other assets and liabilities including any yield maintenance that would have been due on that date had the mortgages encumbering the properties been prepaid on December 31, 2003. The affected joint ventures were merged and ceased to exist at the time of the merger with NTS Realty.

B) Properties and Joint Ventures

NTS Realty succeeded the predecessor entities ownership of properties following the merger whereby all of the joint ventures were combined into NTS Realty and ceased to exist.

NTS-Properties III

NTS-Properties III was a limited partnership organized under the laws of the state of Georgia on June 24, 1982. The general partner was NTS-Properties Associates, a Georgia limited partnership.

- NTS Center, an office complex with approximately 116,200 net rentable square feet located in Louisville, Kentucky.

- Plainview Center, an office complex with approximately 96,100 net rentable square feet located in Louisville, Kentucky.

- Peachtree Corporate Center, a business park with approximately 191,300 net rentable square feet located in Atlanta, Georgia.

NTS-Properties IV

NTS-Properties IV was a limited partnership organized under the laws of the Commonwealth of Kentucky on May 13, 1983. The general partner was NTS-Properties Associates IV, a Kentucky limited partnership.

- Commonwealth Business Center Phase I, a business center with approximately 62,700 net rentable square feet in Louisville, Kentucky.

- Plainview Point Office Center Phases I and II, an office center with approximately 57,300 net rentable square feet in Louisville, Kentucky.

- The Willows of Plainview Phase I, a 118-unit luxury apartment community in Louisville, Kentucky.

- A 9.70% joint venture interest in The Willows of Plainview Phase II, a 144-unit luxury apartment community in Louisville, Kentucky.

- A 3.97% joint venture interest in Golf Brook Apartments, a 195-unit luxury apartment community in Orlando, Florida.

- A 4.96% joint venture interest in Plainview Point Office Center Phase III, an office center with approximately 61,700 net rentable square feet in Louisville, Kentucky.

- A 29.61% joint venture interest in Blankenbaker Business Center 1A, a business center with approximately 100,600 net rentable square feet in Louisville, Kentucky.

- A 10.92% joint venture interest in the Lakeshore/University II Joint Venture. A description of the properties owned by the Joint Venture appears below:

  - <u>Lakeshore Business Center Phase I</u> - a business center with approximately 103,800 net rentable square feet located in Fort Lauderdale, Florida.

  - <u>Lakeshore Business Center Phase II</u> - a business center with approximately 97,000 net rentable square feet located in Fort Lauderdale, Florida.

    - Lakeshore Business Center Phase III - a business center with approximately 38,900 net rentable square feet located in Fort Lauderdale, Florida.

NTS-Properties V

NTS-Properties V, a Maryland limited partnership, was a limited partnership organized on April 30, 1984. The general partner was NTS-Properties Associates V, a Kentucky limited partnership.

- Commonwealth Business Center Phase II, a business center with approximately 65,900 net rentable square feet located in Louisville, Kentucky.

- A 90.30% joint venture interest in The Willows of Plainview Phase II, a 144-unit luxury apartment complex located in Louisville, Kentucky.

- An 81.19% joint venture interest in the Lakeshore/University II Joint Venture. A description of the properties owned by the Joint Venture appears below:

    - Lakeshore Business Center Phase I - a business center with approximately 103,800 net rentable square feet located in Fort Lauderdale, Florida.

    - Lakeshore Business Center Phase II - a business center with approximately 97,000 net rentable square feet located in Fort Lauderdale, Florida.

    - Lakeshore Business Center Phase III - a business center with approximately 38,900 net rentable square feet located in Fort Lauderdale, Florida.

NTS-Properties VI

NTS-Properties VI, a Maryland limited partnership, was a limited partnership organized under the laws of the state of Maryland in December 1984. The general partner was NTS-Properties Associates VI, a Kentucky limited partnership.

- Sabal Park Apartments, a 162-unit luxury apartment complex in Orlando, Florida.

- Park Place Apartments Phase I, a 180-unit luxury apartment complex in Lexington, Kentucky.

- Park Place Apartments Phase III, a 152-unit luxury apartment complex in Lexington, Kentucky.

- Willow Lake Apartments, a 207-unit luxury apartment complex in Indianapolis, Indiana.

- A 96.03% joint venture interest in Golf Brook Apartments, a 195-unit luxury apartment complex in Orlando, Florida.

- A 95.04% joint venture interest in Plainview Point Office Center Phase III, an office center with approximately 61,700 net rentable square feet in Louisville, Kentucky.

NTS-Properties VII

NTS-Properties VII, Ltd. was a limited partnership organized under the laws of the state of Florida in April 1987. The general partner was NTS-Properties Associates VII, a Kentucky limited partnership.

- The Park at the Willows, a 48-unit luxury apartment complex in Louisville, Kentucky.
- Park Place Apartments Phase II, a 132-unit luxury apartment complex in Lexington, Kentucky.
- A 31.34% joint venture interest in Blankenbaker Business Center 1A, a business center with approximately 100,600 net rentable square feet in Louisville, Kentucky.

NTS Private Group

NTS Private Group (the "Group") was a group of partnerships and pass-through entities under the common ownership and control of Mr. Nichols. The Group included those properties that were contributed to ORIG as part of a restructuring and then to NTS Realty as part of the merger.

- Anthem Office Center, an office building with approximately 84,700 net rentable square feet in Louisville, Kentucky.
- Atrium Center, an office center with approximately 104,200 net rentable square feet in Louisville, Kentucky.
- Blankenbaker Business Center 1B, a business center with approximately 60,000 net rentable square feet in Louisville, Kentucky.
- Blankenbaker Business Center II, a business center with approximately 74,700 net rentable square feet in Louisville, Kentucky.
- Clarke American, a business center with approximately 50,000 net rentable square feet in Louisville, Kentucky.
- Outlets Mall, a retail center with approximately 162,600 net rentable square feet in Louisville, Kentucky.
- Sears Office Building, an office building with approximately 66,900 net rentable square feet in Louisville, Kentucky.
- Springs Medical Office Center, an office center with approximately 97,700 net rentable square feet in Louisville, Kentucky.
- Springs Office Center, an office center with approximately 125,300 net rentable square feet in Louisville, Kentucky.
- Bed, Bath & Beyond, a retail company with approximately 35,000 net rentable square feet in Louisville, Kentucky.

- Springs Station, a retail center with approximately 12,000 net rentable square feet in Louisville, Kentucky.

- ITT Parking Lot, a ground lease relating to a 120-space parking lot located in Louisville, Kentucky.

Blankenbaker Business Center 1A

- Blankenbaker Business Center Joint Venture owned Blankenbaker Business Center 1A, a business center with approximately 100,600 net rentable square feet in Louisville, Kentucky.

C) Tax Status

All of the Predecessors were treated as partnerships or pass-through entities for federal income tax purposes with the exception of one property in NTS Private Group which was owned by an individual. As such, no provisions for income taxes were made. The taxable income or loss was passed through to the holders of the partnership units or individual owner for inclusion on their individual income tax returns.

A reconciliation of net income for financial statement purposes versus that for income tax reporting is as follows:

NTS-Properties III

	Period Ended December 27, 2004	Years Ended December 31, 2003	Years Ended December 31, 2002
Net (loss) income	$ (253,950)	$ 268,144	$ 407,586
Items handled differently for tax purposes:			
Depreciation and amortization	416,078	335,800	485,293
Prepaid rent and other capitalized costs	(133,545)	(247,562)	(109,335)
Loss on disposal of assets	(42,775)	(45,580)	(237,278)
Allowance for doubtful accounts	12,574	828	1,781
Merger costs	232,691	101,565	-
Other	(10,924)	7,634	2,633
Taxable income	$ 220,149	$ 420,829	$ 550,680

NTS-Properties IV

	Period Ended December 27, 2004	Years Ended December 31, 2003	Years Ended December 31, 2002
Net (loss) income	$ (640,400)	$ 257,366	$ 81,918
Items handled differently for tax purposes:			
Depreciation and amortization	335,842	300,674	122,776
Rental income	31,374	(5,359)	56,682
Merger costs	444,677	184,679	-
Other	(17,835)	(110,555)	(31,237)
Taxable income	$ 153,658	$ 626,805	$ 230,139

NTS-Properties V

	Period Ended December 27, 2004	Years Ended December 31, 2003	2002
Net loss	$ (1,931,307)	$ (662,264)	$ (683,987)
Items handled differently for tax purposes:			
Depreciation and amortization	54,529	19,905	2,716
Rental income	(9,050)	(24,313)	(27,140)
Merger costs	559,085	236,455	-
Other	1,267	(219,184)	(288,268)
Taxable loss	$ (1,325,476)	$ (649,401)	$ (996,679)

NTS-Properties VI

	Period Ended December 27, 2004	Years Ended December 31, 2003	2002
Net loss	$ (1,985,429)	$ (1,507,305)	$ (1,366,534)
Items handled differently for tax purposes:			
Depreciation and amortization	14,337	6,491	32,336
Loss on disposal of assets	(63,918)	(100,037)	(4,412)
Prepaid rent and other capitalized leasing costs	40,223	25,379	99,930
Bad debt allowance	(12,637)	5,141	5,106
Merger costs	715,540	302,746	-
Accrued expenses	-	-	(2,000)
Other	3,416	4,206	4,140
Taxable loss	$ (1,288,468)	$ (1,263,379)	$ (1,231,434)

NTS-Properties VII

	Period Ended December 27, 2004	Years Ended December 31, 2003	2002
Net loss	$ (332,902)	$ (170,319)	$ (211,696)
Items handled differently for tax purposes:			
Depreciation and amortization	59,190	5,085	88,113
Prepaid rent and other capitalized leasing costs	3,435	(22,335)	28,958
Bad debt allowance	(2,360)	(4,148)	6,508
Gain (loss) on disposal of assets	612	(100,231)	658
Merger costs	204,199	83,927	-
Accrued expenses	-	476	1,056
Non-deductible expenses	299	393	201
Taxable loss	$ (67,527)	$ (207,152)	$ (86,202)

NTS Private Group

	Period Ended December 27, 2004	Years Ended December 31, 2003	2002
Net (loss) income	$ (2,159,059)	$ 1,177,493	$ 1,932,840
Items handled differently for tax purposes:			
Depreciation and amortization	18,333	(1,472,625)	278,146
Section 743 adjustments	(110,130)	(109,236)	(107,786)
Prepaid rent and other capitalized costs	(19,464)	11,072	(3,634)
Allowance for doubtful accounts	138,963	4,240	-
Accrued expenses	-	3,581	(25,854)
Other	476	1,592	599
Taxable (loss) income	$ (2,130,881)	$ (383,883)	$ 2,074,311

Blankenbaker Business Center 1A

	Period Ended December 27, 2004	Years Ended December 31, 2003	2002
Net income	$ 247,498	$ 280,014	$ 306,111
Items handled differently for tax purposes:			
Depreciation and amortization	52,819	(16,553)	(22,751)
Loss on disposal of assets	-	(2,050)	-
Other	31	143	23
Taxable income	$ 300,348	$ 261,554	$ 283,383

D) Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E) Cash and Equivalents - Restricted

Cash and equivalents - restricted represents funds which have been escrowed with mortgage companies for property taxes, insurance and tenant improvements in accordance with the loan agreements and certain security deposits.

F) Basis of Property and Depreciation

Land, buildings and amenities are stated at cost. Costs directly associated with the acquisition, development and construction of a project are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which are 5-30 years for land improvements, 5-40 years for buildings and improvements and 3-30 years for amenities. Tenant improvements are generally depreciated over the life of the initial or renewal term of the respective tenant lease. The aggregate cost of our properties for federal tax purposes is approximately $237,542,000 at December 31, 2004.

Depreciation expense for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002 was as follows:

		Period Ended December 27,		Years Ended December 31,		
		2004		2003		2002
NTS-Properties III	$	1,030,425	$	1,075,611	$	1,156,125
NTS-Properties IV		488,462		509,915		500,548
NTS-Properties V		1,323,426		1,242,694		1,333,412
NTS-Properties VI		2,662,978		2,620,136		2,801,218
NTS-Properties VII		408,391		407,690		501,168
NTS Private Group		1,893,890		1,821,879		1,750,524
Blankenbaker Business Center 1A		296,039		213,040		207,852
	$	8,103,611	$	7,890,965	$	8,250,847

Statement of Financial Accounting Standards No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets," specifies circumstances in which certain long-lived assets must be reviewed for impairment. If the carrying amount of an asset exceeds the sum of its expected future cash flows, the asset's carrying value must be written down to fair value. In determining the value of an investment property and whether the investment property is impaired, management considers several factors such as projected rental and vacancy rates, property operating expenses, capital expenditures and interest rates. The capitalization rate used to determine property valuation is based on the market in which the investment property is located, length of leases, tenant financial strength, the economy in general, demographics, environment, property location, visibility, age and physical condition among others. All of these factors are considered by management in determining the value of any particular investment property. The value of any particular investment property is sensitive to the actual results of any of these factors, either individually or taken as a whole. If the actual results differ from management's judgment, the valuation could be negatively or positively affected. Application of this standard during the period from January 1, 2004 to December 27, 2004 and for years ended December 31, 2004, 2003 and 2002 did not result in an impairment loss.

G) Accounts Receivable and Other Assets

Other assets for NTS-Properties VI include minority interest in our joint venture properties totaling approximately $713,000 as of December 31, 2003. This amount was derived primarily from distributions of the joint ventures in excess of the respective minority partners' historical investment in the joint ventures used for financial reporting purposes. This amount was eliminated in the merger.

Accounts receivable is reported net of allowance for doubtful accounts of $2,609 for NTS-Properties III, $5,443 for NTS-Properties IV, $0 for NTS-Properties V, $12,949 for NTS-Properties VI, $2,360 for NTS-Properties VII, $5,566 for NTS Private Group and $0 for Blankenbaker Business Center 1A at December 31, 2003.

H) Accounts Payable - Affiliate

Accounts payable - affiliate includes amounts owed to NTS Development Company for reimbursement of salary and overhead expenses.

I) Revenue Recognition

Our multifamily communities have resident leases with terms generally of twelve months or less. We recognize rental revenue on an accrual basis when due from residents. Rental concessions and other inducements to the leases are recognized to revenue on a straight-line basis over the life of the respective leases. In accordance with our standard lease terms, rental payments are generally due on a monthly basis.

Our commercial properties, retail properties and commercial land lease are accounted for as operating leases. We accrue minimum rents on a straight-line basis over the initial or renewal terms of their respective leases. Substantially all of our retail tenants are also required to pay overage rents based on sales over a stated base amount during the lease year. We recognize overage rents only when each tenant's sales exceeds it sales threshold. We structure our leases to allow us to recover a significant portion of our real estate taxes, property operating and repairs and maintenance expenses from our commercial tenants. Property operating expenses typically include utility, insurance, security, janitorial, landscaping and other administrative expenses. We accrue reimbursements from tenants for recoverable portions of all these expenses as revenue in the period the applicable expenditures are incurred. We also receive estimated payments for these reimbursements from substantially all our tenants throughout the year. We do this to reduce the risk of loss on uncollectible accounts once we perform the final year-end billings for recoverable expenditures. We recognize the difference between estimated recoveries and the final billed amounts in the subsequent year and we believe these differences are not material in any period presented.

We recognize revenue in accordance with each tenant's lease agreement. Certain of our lease agreements are structured to include scheduled and specified rent increases over the lease term. For financial reporting purposes, the income from these leases is being recognized on a straight-line basis over the initial or renewal lease term. Accrued income from these leases in accounts receivable was $0 at December 31, 2004 due to the application of purchase accounting. All commissions paid to commercial leasing agents and incentives paid to tenants are deferred and amortized on a straight-line basis over the applicable initial or renewal lease term.

We recognize lease termination income upon receipt of the income. We accrue lease termination income if there is a signed termination agreement, all of the conditions of the agreement have been met and the tenant is no longer occupying the property.

J) Advertising

We expense advertising costs as incurred. Advertising expense was immaterial to us during the years ended December 31, 2004, 2003 and 2002.

K) Dividend Policy

We pay distributions if and when authorized by our managing general partner. We are required to pay distributions on a quarterly basis, commencing in the first quarter of 2005, equal to sixty-five percent (65%) of our "net cash flow from operations" as this term is defined in regulations promulgated by the Treasury Department under the Internal Revenue Code of 1986, as amended; provided that if a law is enacted or existing law is modified or interpreted in a manner that subjects us to taxation as a corporation or otherwise subjects us to entity level taxation for federal, state or local income tax purposes, we will adjust the amount distributed to reflect our obligation to pay tax. Any distribution other than a distribution with respect to the final quarter of a calendar year shall be made no later than forty-five (45) days after the last day of such quarter based on our estimate of "net cash flow from operations" for the year. Any distribution with respect to the final quarter of a calendar year shall be made no later than ninety (90) days after the last day of such quarter based on actual "net cash flow from operations" for the year, adjusted for any excess or insufficient distributions made with respect to the first three quarters of the calendar year.

"Net cash flow from operations" may be reduced by the amount of reserves as determined by us each quarter. NTS Realty Capital will establish these reserves for, among other things, working capital or capital improvement needs. Therefore, there is no assurance that we will have net cash flow from operations from which to pay distributions in the future. For example, our partnership agreement permits our managing general partner to reinvest sales or refinancing proceeds in new and existing properties or to create reserves to fund future capital expenditures. Because net cash flow from operations is calculated after reinvesting sales or refinancing proceeds or establishing reserves, we may not have any net cash flow from operations from which to pay distributions.

L) Statements of Cash Flows

For purposes of reporting cash flows, cash and equivalents include cash on hand and short-term, highly liquid investments with initial maturities of three months or less.

Note 3 - Purchase Method Accounting and Proforma Balance Sheet Results of Operations

The merger was accounted for using the purchase method of accounting in accordance with Statement of Financial Accounting Standards ("SFAS") No. 141. NTS Realty was treated as the purchasing entity. A portion of each partnership's assets and liabilities was adjusted to reflect their fair market value. That portion owned by affiliates of the general partner of the Partnerships was reflected at net book value at the merger date. The assets and liabilities contributed through ORIG by NTS Private Group were accounted for as an exchange of partnership units (equivalent to shares) among entities under common control. Accordingly, the portion of the assets and liabilities representing Mr. Nichols' ownership interest in each of the respective entities comprising NTS Private Group were carried over at net book value at the merger date. The remaining portion of assets and liabilities contributed by and through ORIG were adjusted to reflect their fair market value at the date of the merger. We allocated the purchase price for each property to net tangible and identified intangible assets acquired based on their fair values (including land, buildings, tenant improvements, acquired above and below market leases and the origination cost of acquired in-place leases) and acquired liabilities. No customer relationship intangibles exist. At December 28, 2004 the carrying value of mortgages and notes payable approximated fair market value. We retained an independent appraiser to assess fair value based on estimated cash flow projections that utilize discount and capitalization rates deemed appropriate and available market information.

Presented below is the balance sheet at December 28, 2004 after giving effect to the purchase accounting, refinancing and exchange of units as discussed above:

ASSETS		
Cash and equivalents	$	3,523,855
Cash and equivalents – restricted		313,255
Accounts receivable, net		1,609,802
Land, buildings and amenities, net		156,243,048
Other assets		5,807,464
TOTAL ASSETS	$	167,497,424
LIABILITIES AND PARTNERS' EQUITY		
Mortgages and notes payable	$	113,749,938
Accounts payable and accrued expenses		2,588,663
Account payable and accrued expenses – affiliate		177,879
Security deposits		676,665
Other liabilities		774,294
TOTAL LIABILITIES		117,967,439
PARTNERS' EQUITY		49,529,985
TOTAL LIABILITIES AND PARTNERS' EQUITY	$	167,497,424

Presented below is proforma condensed unaudited operating results for the years ended December 31, 2004 and 2003 as if the merger was completed on January 1, 2003:

	Years Ended December 31,			
		2004 (UNAUDITED)		2003 (UNAUDITED)
Total revenues	$	34,269,118	$	34,404,331
Total operating expenses		32,697,133		31,059,947
Operating income		1,571,985		3,344,384
Interest and other income		1,605,440		364,683
Interest expense		(13,444,753)		(7,568,831)
Loss on disposal of assets		(74,452)		(303,906)
Settlement charge		-		(2,896,259)
Net loss	$	(10,341,780)	$	(7,059,929)
Net loss allocated to limited partners	$	(9,692,564)	$	(6,616,735)
Net loss per limited partnership unit	$	(0.91)	$	(0.62)
Number of limited partner units		10,667,117		10,667,117
Ratio of earnings to fixed charges		0.23		0.07

Note 4 - Concentration of Credit Risk

We own and operate multifamily, commercial and retail properties in Louisville and Lexington, Kentucky, Fort Lauderdale and Orlando, Florida, Indianapolis, Indiana and Atlanta, Georgia.

Our financial instruments that are exposed to concentrations of credit risk consist of cash and equivalents. We maintain our cash accounts primarily with banks located in Kentucky. The total cash balances are insured by the FDIC up to $100,000 per bank account. We may at times, in certain accounts, have deposits in excess of $100,000.

Note 5 – Land, Buildings and Amenities

NTS Realty

The following schedule provides an analysis of our investment in property held for lease as of December 31:

		2004
Land and improvements	$	40,452,470
Buildings and improvements		114,913,433
Amenities		877,145
	$	156,243,048

The following schedule provides an analysis of the Partnerships, Private Group and Blankenbaker Business Center 1A's investment in property held for lease as of December 31, 2003:

		NTS Properties III	NTS Properties IV	NTS Properties V	NTS Properties VI	NTS Properties VII	NTS Private Group (1)	BBC 1A
Land and improvements	$	4,907,512	3,271,528	10,654,904	16,530,082	3,117,945	207,622	2,236,517
Buildings and improvements		23,736,312	12,150,120	31,197,692	59,772,588	10,169,447	14,718,362	5,210,516
Amenities		128,075	-	-	-	-	40,509,543	-
		28,771,899	15,421,648	41,852,596	76,302,670	13,287,392	55,435,527	7,447,033
Less accumulated depreciation		19,653,612	9,574,427	21,492,188	35,856,233	6,195,506	20,320,188	4,432,195
	$	9,118,287	5,847,221	20,360,408	40,446,437	7,091,886	35,115,339	3,014,838

(1) During 2003 we transferred land and related step rent receivable and lease commission assets of approximately $495,000 to an affiliate.

Note 6 – Mortgages and Notes Payable

Mortgages and notes payable as of December 31 consist of the following:

	2004	2003
Note payable to a bank with interest payable in monthly installments, at a variable rate based on LIBOR one-month rate plus 1.75%, currently 4.04%, due June 28, 2005. Refinanced in March 2005 as discussed below.	$ 14,971,350	$ -
Mortgage payable to a bank in monthly installments, bearing interest at a variable rate based on LIBOR one-month rate plus 2.50%, currently 4.78%, due January 1, 2008, secured by certain land and buildings, with a carrying value of $17,251,405. The mortgage is guaranteed by Mr. Nichols (75%) and Mr. Lavin (25%).	14,000,000	-
Mortgage payable to an insurance company in monthly installments, bearing interest at 5.98%, maturing January 15, 2015, secured by certain land and buildings, with a carrying value of $74,096,103.	75,000,000	-
Mortgage payable to a bank in monthly installments, bearing interest at 9.00%, maturing August 1, 2010, secured by certain land and a building, with a carrying value of $3,025,112.	2,806,142	2,884,419
Mortgage payable to an insurance company in monthly installments, bearing interest at 8.45%, maturing November 1, 2015, secured by certain land and a building, with a carrying value of $2,687,613.	3,101,366	3,267,522
Mortgage payable to an insurance company in monthly installments, bearing interest at 8.375%, maturing December 1, 2010, secured by certain land, buildings and amenities, with a carrying value of $2,821,720.	2,905,604	2,988,656
Note payable to a finance company in monthly installments, bearing interest at 8.50%, due July 15, 2006, secured by equipment.	15,476	-
NTS-Properties III mortgages refinanced	-	6,309,037
NTS-Properties IV mortgages refinanced	-	3,180,515
NTS-Properties V mortgages refinanced	-	13,614,792
NTS-Properties VI mortgages refinanced	-	28,883,382
NTS-Properties VII mortgages refinanced	-	3,339,017
NTS Private Group mortgages refinanced	-	30,447,979
Blankenbaker Business Center 1A mortgage refinanced	-	1,186,699
	$ 112,799,938	$ 96,102,018

Based on the borrowing rates currently available to us for loans with similar terms and average maturities, the fair value of long-term debt on December 31, 2004 was approximately $110,067,000.

The note payable to a bank was paid from the proceeds of a $30 million mortgage payable to an insurance company in March 2005. The mortgage payable bears interest at a fixed rate of 5.07%, maturing on March 15, 2015 and is secured by certain land and buildings, with a carrying value of $25,429,635.

Our mortgages may be prepaid but are generally subject to a yield-maintenance premium.

Scheduled maturities of debt giving effect to the refinancing discussed above are as follows:

For the Years Ended December 31,		Amount
2005	$	1,909,812
2006		2,270,794
2007		2,392,473
2008		15,494,585
2009		2,409,774
Thereafter		88,322,500
	$	112,799,938

Note 7 – Rental Income

NTS Realty

The following is a schedule of minimum future rental income on noncancellable operating leases as of December 31, 2004:

For the Years Ended December 31,		Amount
2005	$	15,361,919
2006		10,972,190
2007		8,496,907
2008		6,083,236
2009		4,379,845
Thereafter		9,386,195
	$	54,680,292

Note 8 – Related Party Transactions

NTS Realty is externally managed under an agreement with NTS Development Company ("NTS Devco") an affiliate of NTS Realty's general partner. NTS Devco is paid a management fee pursuant to the terms of an agreement entered into with NTS Devco. NTS Devco is reimbursed its actual costs for services rendered to NTS Realty.

NTS-Properties III

Pursuant to an agreement with us, NTS Development Company, an affiliate of our general partner, receives property management fees. The fees are paid in an amount equal to 5% of the gross receipts from our properties. Also pursuant to an agreement, NTS Development Company receives a repair and maintenance fee equal to 5.9% of the costs incurred which relate to capital improvements. These repair and maintenance fees are capitalized as part of land, buildings and amenities.

We were charged the following amounts pursuant to an agreement with NTS Development Company for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002. These charges include items which have been expensed as operating expenses - affiliated or professional and administrative expenses - affiliated and items which have been capitalized as other assets or as land, buildings and amenities.

	Period Ended December 27,	Years Ended December 31,	
	2004	2003	2002
Property management fees	$ 181,963	$ 179,651	$ 188,331
Property management	211,682	191,010	177,032
Leasing	45,047	56,563	105,341
Administrative – operating	66,498	43,603	29,700
Other	9,534	7,810	6,303
Total operating expenses – affiliated	332,761	298,986	318,376
Professional and administrative expenses – affiliated	155,872	143,346	137,511
Repairs and maintenance fees	9,093	24,859	19,206
Leasing commissions	6,414	9,382	4,135
Total related party transactions capitalized	15,507	34,241	23,341
Total related party transactions	$ 686,103	$ 656,224	$ 667,559

During the period and years ended 2004, 2003 and 2002, we were charged $7,313, $7,952 and $6,489, respectively, for property maintenance fees from an affiliate of NTS Development Company.

During 2003, NTS Development Company leased 20,368 square feet in NTS Center at a rental rate of $14.50 per square foot. We received approximately $295,000, or 8%, of total rental income from NTS Development Company during 2004 and 2003.

NTS-Properties IV

Pursuant to an agreement with us, NTS Development Company, an affiliate of our general partner, receives property management fees on a monthly basis. The fees are paid in an amount equal to 5% of the gross receipts from the multifamily property and 6% of the gross receipts from the commercial properties. Also pursuant to an agreement, NTS Development Company receives a repair and maintenance fee equal to 5.9% of costs incurred which relate to capital improvements. These repair and maintenance fees are capitalized as part of land, buildings and amenities.

We were charged the following amounts pursuant to an agreement with NTS Development Company for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002. These charges include items which have been expensed as operating expenses - affiliated or professional and administrative expenses - affiliated and items which have been capitalized as other assets or as land, buildings and amenities.

	Period Ended December 27,	Years Ended December 31,	
	2004	2003	2002
Property management fees	$ 125,242	$ 145,239	$ 135,082
Property management	296,208	239,620	235,231
Leasing	60,011	57,382	104,833
Administrative – operating	106,740	74,484	68,398
Other	10,675	2,428	5,967
Total operating expenses – affiliated	473,634	373,914	414,429
Professional and administrative expenses – affiliated	166,250	146,608	143,715
Repairs and maintenance fees	3,889	7,444	13,046
Leasing commissions	17,069	925	18,765
Other	-	-	5,287
Total related party transactions capitalized	20,958	8,369	37,098
Total related party transactions	$ 786,084	$ 674,130	$ 730,324

During 2004 and 2003, NTS Development Company leased 1,604 square feet in Commonwealth Business Center Phase I at a rental rate of $5.50 per square foot. We received $8,822 in rental payments from NTS Development Company during 2004 and 2003.

NTS-Properties V

Pursuant to an agreement with us, NTS Development Company, an affiliate of our general partner, receives property management fees on a monthly basis. The fees are paid in an amount equal to 5% of the gross receipts from the multifamily property and 6% of the gross receipts from the commercial properties. Also pursuant to an agreement, NTS Development Company receives a repair and maintenance fee equal to 5.9% of costs incurred which relate to capital improvements. These repair and maintenance fees are capitalized as part of land, buildings and amenities.

We were charged the following amounts from NTS Development Company for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002. These charges include items which have been expensed as operating expenses - affiliated or professional and administrative expenses - affiliated and items which have been capitalized as other assets or as land, buildings and amenities.

	Period Ended December 27,	Years Ended December 31,	
	2004	2003	2002
Property management fees	$ 276,476	$ 286,176	$ 283,677
Property management	443,260	391,933	441,170
Leasing	47,783	74,119	135,610
Administrative - operating	130,116	105,386	97,022
Other	8,206	912	1,382
Total operating expenses - affiliated	629,365	572,350	675,184
Professional and administrative expenses - affiliated	212,127	186,979	167,824
Repairs and maintenance fees	16,920	6,251	32,505
Leasing commissions	567	6,341	77,760
Construction management	-	-	6,061
Total related party transactions capitalized	17,487	12,592	116,326
Total related party transactions	$ 1,135,455	$ 1,058,097	$ 1,243,011

NTS-Properties VI

Pursuant to an agreement with us, NTS Development Company, an affiliate of our general partner, receives property management fees on a monthly basis. The fee is equal to 5% and 6% of the gross revenues from the multifamily communities and the commercial property, respectively. Also pursuant to an agreement, NTS Development Company receives a repair and maintenance fee equal to 5.9% of costs incurred which relate to capital improvements and major repair and renovation projects. These repair and maintenance fees are capitalized as part of land, buildings and amenities.

We were charged the following amounts pursuant to an agreement with NTS Development Company for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002. These charges include items which have been expensed as operating expenses - affiliated or professional and administrative expenses - affiliated and items which have been capitalized as other assets or as land, buildings and amenities.

	Period Ended December 27,	Years Ended December 31,	
	2004	2003	2002
Property management fees	$ 549,901	$ 548,558	$ 546,539
Property management	1,061,364	1,035,840	1,019,792
Leasing	140,561	156,094	193,428
Administrative – operating	390,518	297,022	339,753
Other	29,306	12,000	41,810
Total operating expenses – affiliated	1,621,749	1,500,956	1,594,783
Professional and administrative expenses - affiliated	432,158	394,841	390,127
Repairs and maintenance fees	32,063	37,347	12,385
Leasing commissions	10,990	13,938	8,515
Total related party transactions capitalized	43,053	51,285	20,900
Total related party transactions	$ 2,646,861	$ 2,495,640	$ 2,552,349

During the period and years ended 2004, 2003 and 2002, we were charged $28,025, $29,643 and $29,586, respectively, for property maintenance fees from an affiliate of NTS Development Company.

NTS-Properties VII

Pursuant to an agreement with us, NTS Development Company, an affiliate of our general partner, receives property management fees on a monthly basis. The fee is equal to 5% of the gross revenues from our multifamily communities. Also pursuant to an agreement, NTS Development Company receives a repair and maintenance fee equal to 5.9% of costs incurred which relates to capital improvements and major repair and renovation projects. These repair and maintenance fees are capitalized as part of land, buildings and amenities.

We were charged the following amounts pursuant to an agreement with NTS Development Company for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002. These charges include items which have been expensed as operating expenses - affiliated or professional and administrative expenses - affiliated and items which have been capitalized as other assets or as land, buildings and amenities.

	Period Ended December 27,	Years Ended December 31,	
	2004	2003	2002
Property management fees	$ 79,390	$ 82,176	$ 77,413
Property management	167,206	155,314	153,129
Leasing	25,141	27,627	31,968
Administrative – operating	88,408	75,108	79,844
Other	2,726	6,275	1,366
Total operating expenses – affiliated	283,481	264,324	266,307
Professional and administrative expenses - affiliated	142,424	131,572	115,224
Repair and maintenance fees	-	11,186	2,235
Construction management	-	-	1,547
Total related party transactions capitalized	-	11,186	3,782
Total related party transactions	$ 505,295	$ 489,258	$ 462,726

NTS Private Group

NTS Development Company, an affiliate of ours, receives property management fees on a monthly basis. The fee is equal to 6% of the gross revenues from commercial and retail properties and $100 monthly for each commercial land lease. Also pursuant to an agreement, NTS Development Company receives a repair and maintenance fee equal to 5% of costs incurred which relate to capital improvements and major repair and renovation projects. These repair and maintenance fees are capitalized as part of land, buildings and amenities.

We were charged the following amounts by NTS Development Company for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002. These charges include items which have been expensed as operating expenses - affiliated and items which have been capitalized as other assets or as land, buildings and amenities.

	Period Ended December 27,	Years Ended December 31,	
	2004	2003	2002
Property management fees	$ 559,082	$ 556,157	$ 588,510
Property management	474,749	410,144	400,372
Leasing	80,305	107,036	218,844
Administrative – operating	171,943	121,321	99,000
Other	19,195	11,345	13,451
Total operating expenses – affiliated	746,192	649,846	731,667
Repairs and maintenance fees	43,468	73,669	25,436
Leasing commissions	30,152	57,015	81,672
Construction management	-	5,001	-
Total related party transactions capitalized	73,620	135,685	107,108
Total related party transactions	$ 1,378,894	$ 1,341,688	$ 1,427,285

During the period and years ended 2004, 2003 and 2002, we were charged $33,807, $23,660, and $34,427, respectively, for property maintenance fees from an affiliate of NTS Development Company.

Blankenbaker Business Center 1A

Pursuant to an agreement with the partnerships which formed the Blankenbaker Business Center Joint Venture, NTS Development Company, an affiliate of the general partners of the partnerships, receives property management fees on a monthly basis. The fee is equal to 6% of the gross revenues from the partnerships' commercial properties. Also permitted by an agreement, NTS Development Company receives a repair and maintenance fee equal to 5.9% of costs incurred which relate to capital improvements. These repair and maintenance fees are capitalized as part of land, buildings and amenities.

The Blankenbaker Business Center Joint Venture was charged the following amounts pursuant to an agreement with NTS Development Company for the period ended December 27, 2004 and the years ended December 31, 2003 and 2002. These charges include items which have been expensed as operating expenses - affiliated or professional and administrative expenses - affiliated and items which have been capitalized as other assets or as land, buildings and amenities. The professional and administrative expenses - affiliated includes a cost recovery to provide for expenditures made on the Joint Venture's behalf.

	Period Ended December 27,	Years Ended December 31,	
	2004	2003	2002
Property management fees	$ 56,946	$ 56,960	$ 57,133
Property management	32,239	28,873	22,595
Leasing	-	1,657	3,831
Administrative - operating	12,264	11,700	9,900
Other	1,017	863	1,681
Total operating expenses - affiliated	45,520	43,093	38,007
Repair and maintenance fees	-	7,817	-
Total related party transactions	$ 102,466	$ 107,870	$ 95,140

Note 9 - Commitments and Contingencies

We, as an owner of real estate, are subject to various environmental laws of federal, state and local governments. Our compliance with existing laws has not had a material adverse effect on our financial condition and results of operations. However, we cannot predict the impact of new or changed laws or regulations on our current properties or on properties that we may acquire in the future.

We do not believe there is any litigation threatened against us other than routine litigation arising out of the ordinary course of business, some of which is expected to be covered by insurance, none of which is expected to have a material effect on our combined financial position or results of operations.

Litigation

On May 6, 2004, the Superior Court of the State of California for the County of Contra Costa granted its final approval of the settlement agreement jointly filed by the general partners (the "General Partners") of the Partnerships, along with certain of their affiliates, with the class of plaintiffs in the action originally captioned Buchanan, et al. v. NTS-Properties Associates, et al. (Case No. C 01-05090) on December 5, 2003. At the final hearing, any member of the class of plaintiffs was given the opportunity to object to the final approval of the settlement agreement, the entry of a final judgment dismissing with prejudice the Buchanan litigation, or an application of an award for attorneys' fees and expenses to plaintiffs' counsel. The Superior Court's order provided, among other things, that: (1) the settlement agreement, and all transactions contemplated thereby, including the merger of the Partnerships into us, are fair, reasonable and adequate, and in the best interests of the class of plaintiffs; (2) the plaintiffs' complaint and each and every cause of action and claim set forth therein is dismissed with prejudice; (3) each class member is barred from transferring, selling or otherwise disposing of (other than by operation of law) their interests until the earlier of the closing date of the merger, the termination of the settlement or June 30, 2004; and (4) each class member who requested to be excluded from the settlement released their claims in the Bohm litigation.

On June 11, 2004, Joseph Bohm and David Duval, class members who objected to the settlement agreement but whose objections were overruled by the Superior Court (the "Appellants"), filed an appeal in the Court of Appeals of the State of California, First Appellate District. The Appellants filed their opening appellate brief on October 22, 2004. The General Partners and the Partnerships, as well as the class representatives, filed their respective responses on February 14, 2005, and Appellants filed their reply. The appellate court is in the process of scheduling oral arguments on this matter.

On February 27, 2003, two individuals filed a class and derivative action in the Circuit Court of Jefferson County, Kentucky captioned Bohm, et al. v. J.D. Nichols, et al. (Case No. 03-CI-01740) against certain of the General Partners and several individuals and entities affiliated with us. The complaint was amended to include the general partner of NTS-Properties III and the general partner of NTS-Properties Plus Ltd., which is no longer in existence. In the amended complaint, the plaintiffs purport to bring claims on behalf of a class of limited partners and derivatively on behalf of us and the Partnerships based on alleged overpayment of fees, prohibited investments, improper failures to make distributions, purchases of limited partnerships interests at insufficient prices and other violations of the limited partnership agreements. The plaintiffs are seeking, among other things, compensatory and punitive damages in an unspecified amount, an accounting, the appointment of a receiver or liquidating trustee, the entry of an order of dissolution against the Partnerships, a declaratory judgment and injunctive relief. No amounts have been accrued for the settlement of this action in our financial statements. The General Partners and their legal counsel believe that this action is without merit and are vigorously defending it.

On March 2, 2004, the General Partners filed a motion to dismiss the Bohm litigation. After the motion to dismiss was fully briefed, the settlement agreement in the Buchanan litigation received final court approval. The Circuit Court of Jefferson County, Kentucky, instructed the plaintiffs in the Bohm litigation to file an amended complaint in light of the approved settlement of the Buchanan litigation. The plaintiffs in the Bohm litigation filed a corrected second amended complaint on August 11, 2004. The General Partners, along with all defendants, filed a motion to strike the corrected second amended complaint. On February 9, 2005, the Circuit Court instructed the defendants to file a responsive pleading only as to direct claims asserted by the individual plaintiffs. On March 9, 2005, the General Partners, along with all of the defendants, filed: (1) a motion to dismiss and (2) a joint motion to dismiss the "corrected" second amended complaint. A hearing on these motions likely will occur during the second or third quarter of 2005. The General Partners believe that the claims asserted in the corrected second amended complaint have no merit.

Merger/Settlement Charge

NTS Realty was formed as part of a class action settlement where its affiliate and limited partner ORIG has agreed to admit a ‘‘qualified settlement trust’’ as a special member of ORIG. This special member interest is being created for the benefit of the class members in the litigation who are former limited partners who sold their limited partnership interests to ORIG, its affiliates or the Partnerships either as part of tender offers, other repurchase programs or otherwise. Under the terms of ORIG’s operating agreement, all of the economic and other rights associated with up to 620,000 Units owned by ORIG will be designated for the benefit of the qualified settlement trust. ORIG will own the Units, but all of the rights associated with the Units will inure to the qualified settlement trust. Plaintiffs’ counsel, or his designee, will have the right, acting as a representative of these former limited partners, to cause ORIG to vote these designated Units pursuant to his direction. The amount of Units was determined based on the $6.2 million non-cash amount of the $6.85 million settlement amount agreed upon by the general partners and plaintiffs’ counsel. Therefore, if each Unit is valued at $10.00, then the economic and other rights associated with 620,000 Units will be needed to satisfy the settlement amount. The final amount of the settlement, however, is based on the amount of valid claims filed by the former limited partners in the class of plaintiffs. If claims are not made for the full $6.2 million settlement amount, ORIG will designate the economic and other rights to fewer Units for the benefit of the qualified settlement trust to satisfy the claims. We refer to these designated Units as the ‘‘Class Units.’’ Under the terms of the settlement agreement governing the qualified settlement trust, Mr. Nichols, his spouse and Mr. Lavin are jointly obligated, for a period of two years, to repurchase from the qualified settlement trust, using 75% of the distributions that ORIG receives in respect of the Units owned by ORIG which otherwise would have gone to Mr. Nichols, his spouse or Mr. Lavin, the economic and other rights associated with the number of Class Units calculated under the formula described below. Each payment will result in the redesignation of rights associated with the number of Class Units equal to the amount of the distribution divided by 115% of the ‘‘fair market value’’ of the Units. As a result of each payment, the number of Class Units designated for the benefit of the qualified settlement trust will decrease until the economic and other rights associated with all of the Class Units are ultimately redesignated for the benefit of Mr. Nichols, his spouse, and/or Mr. Lavin within two years of when we begin making distributions. If any Class Units remain at the end of this two-year period, Mr. Nichols, his spouse and Mr. Lavin must make a final payment to the qualified settlement trust that is sufficient to redesignate any remaining Class Units. For these purposes, fair market value will be equal to the average closing price of the Units on the American Stock Exchange for the thirty-day period prior to the date of the redesignation. Our Statement of Operations includes a non-cash charge for our estimate related to the settlement with a corresponding credit to Partners’ Equity immediately following the completion of the merger. The non-cash charge was approximately $2.9 million. Our earnings were negatively impacted by this non-cash charge. However, there was no effect on our future liquidity because Mr. Nichols, his spouse and Mr. Lavin must make the payments to the qualified settlement trust to redesignate the Class Units as set forth above.

Note 10 – Segment Reporting

NTS-Properties III

Our reportable operating segments include only one segment - Commercial Real Estate Operations.

NTS-Properties IV

Our reportable operating segments include - Multifamily and Commercial Real Estate Operations. The multifamily operations represent our ownership and operating results relative to a multifamily community known as The Willows of Plainview Phase I. The commercial operations represent our ownership and operating results relative to suburban commercial office space known as Commonwealth Business Center Phase I and Plainview Point Office Center Phases I and II.

The financial information of the operating segments has been prepared using a management approach, which is consistent with the basis and manner in which our management internally reports financial information for the purposes of assisting in making internal operating decisions. Our management evaluates performance based on stand-alone operating segment net income or loss.

Certain items such as professional and administrative expenses and joint venture income or loss incurred at the Partnership level have not been allocated to the operating segments.

	Period Ended December 27, 2004		
	Multifamily	Commercial	Total
Rental income	$ 1,049,296	$ 1,015,289	$ 2,064,585
Tenant reimbursements	-	170,362	170,362
Total revenues	$ 1,049,296	$ 1,185,651	$ 2,234,947
Operating expenses and operating expenses - affiliated	$ 515,206	$ 453,076	$ 968,282
Management fees	53,238	72,004	125,242
Real estate taxes	52,642	66,095	118,737
Depreciation and amortization	205,319	279,780	485,099
Total operating expenses	$ 826,405	$ 870,955	$ 1,697,360
Operating income	222,891	314,696	537,587
Interest and other income	1,116	6,055	7,171
Interest expense	(536,784)	(15,853)	(552,637)
Loss on disposal of assets	(6,592)	(5,608)	(12,200)
Net (loss) income	$ (319,369)	$ 299,290	$ (20,079)

	Year Ended December 31, 2003		
	Multifamily	Commercial	Total
Rental income	$ 1,139,765	$ 1,273,026	$ 2,412,791
Tenant reimbursements	-	180,238	180,238
Total revenues	$ 1,139,765	$ 1,453,264	$ 2,593,029
Operating expenses and operating expenses - affiliated	$ 448,463	$ 425,633	$ 874,096
Management fees	56,764	88,475	145,239
Real estate taxes	51,976	63,830	115,806
Depreciation and amortization	205,406	298,393	503,799
Total operating expenses	$ 762,609	$ 876,331	$ 1,638,940
Operating income	377,156	576,933	954,089
Interest and other income	237	4,758	4,995
Interest expense	(211,536)	(52,361)	(263,897)
Loss on disposal of assets	-	(16,895)	(16,895)
Net income	$ 165,857	$ 512,435	$ 678,292
Land, buildings and amenities, net	$ 3,082,611	$ 2,761,920	$ 5,844,531
Expenditures for land, buildings and amenities	$ 12,690	$ 105,483	$ 118,173
Segment liabilities	$ 2,909,359	$ 459,125	$ 3,368,484

	Year Ended December 31, 2002		
	Multifamily	Commercial	Total
Rental income	$ 1,049,458	$ 1,155,090	$ 2,204,548
Tenant reimbursements	-	178,957	178,957
Total revenues	$ 1,049,458	$ 1,334,047	$ 2,383,505
Operating expenses and operating expenses - affiliated	$ 504,361	$ 469,757	$ 974,118
Management fees	53,364	81,718	135,082
Real estate taxes	60,481	62,084	122,565
Depreciation and amortization	207,699	286,733	494,432
Total operating expenses	$ 825,905	$ 900,292	$ 1,726,197
Operating income	223,553	433,755	657,308
Interest and other income	925	5,906	6,831
Interest expense	(227,071)	(85,134)	(312,205)
Loss on disposal of assets	(50,770)	-	(50,770)
Net (loss) income	$ (53,363)	$ 354,527	$ 301,164
Land, buildings and amenities, net	$ 3,278,109	$ 2,972,457	$ 6,250,566
Expenditures for land, buildings and amenities	$ 143,962	$ 105,118	$ 249,080
Segment liabilities	$ 3,125,495	$ 866,195	$ 3,991,690

A reconciliation of the totals reported for the operating segments to the applicable line items in the financial statements is necessary given amounts recorded at the Partnership level and not allocated to the operating properties for internal reporting purposes:

	Period Ended December 27, 2004	Years Ended December 31, 2003	2002
OPERATING EXPENSES AND OPERATING EXPENSES - AFFILIATED			
Operating expenses and operating expenses - affiliated for reportable segments	$ 968,282	$ 874,096	$ 974,118
Operating expenses and operating expenses - affiliated for Partnership	-	-	(2,000)
Total operating expenses and operating expenses – affiliated	$ 968,282	$ 874,096	$ 972,118
DEPRECIATION AND AMORTIZATION			
Depreciation and amortization for reportable segments	$ 485,099	$ 503,799	$ 494,432
Depreciation and amortization for Partnership	3,363	6,116	6,116
Total depreciation and amortization	$ 488,462	$ 509,915	$ 500,548
INTEREST AND OTHER INCOME			
Interest and other income for reportable segments	$ 7,171	$ 4,995	$ 6,831
Interest and other income for Partnership	204,337	2,899	1,132
Total interest and other income	$ 211,508	$ 7,894	$ 7,963
NET (LOSS) INCOME			
Net (loss) income for reportable segments	$ (20,079)	$ 678,292	$ 301,164
Net loss for Partnership (1)	(620,321)	(420,926)	(219,246)
Total net (loss) income	$ (640,400)	$ 257,366	$ 81,918
LAND, BUILDINGS AND AMENITIES			
Land, buildings and amenities for reportable segments	$ N/A	$ 5,844,531	$ 6,250,566
Land, building and amenities for Partnership	N/A	2,690	8,073
Total land, buildings and amenities	$ N/A	$ 5,847,221	$ 6,258,639
LIABILITIES			
Liabilities for reportable segments	$ N/A	$ 3,368,484	$ 3,991,690
Liabilities for Partnership	N/A	163,056	16,480
Total liabilities	$ N/A	$ 3,531,540	$ 4,008,170

(1) The Partnership net loss was primarily composed of professional and administrative costs born by the Partnership and also includes any joint venture income or loss recorded at the Partnership level and not allocated to the operating segments. The professional and administrative costs include the tax and public company reporting and compliance costs associated with a public limited partnership.

NTS-Properties V

Our reportable operating segments include - Multifamily and Commercial Real Estate Operations. The multifamily operations represent our ownership and operating results relative to a multifamily community known as The Willows of Plainview Phase II. The commercial operations represent our ownership and operating results relative to suburban commercial office space known as Commonwealth Business Center Phase II and Lakeshore Business Center Phases I, II and III.

The financial information of the operating segments has been prepared using a management approach, which is consistent with the basis and manner in which our management internally reports financial information for the purposes of assisting in making internal operating decisions. Our management evaluated performance based on stand-alone operating segment net income or loss. Professional and administrative expenses, interest and other income, depreciation, interest expense and minority interest income or loss recorded at the Partnership level have not been allocated to the segments.

	Period Ended December 27, 2004		
	Multifamily	Commercial	Total
Rental income	$ 1,111,361	$ 2,720,092	$ 3,831,453
Tenant reimbursements	-	1,156,227	1,156,227
Total revenues	$ 1,111,361	$ 3,876,319	$ 4,987,680
Operating expenses and operating expenses - affiliated	$ 577,331	$ 1,642,978	$ 2,220,309
Management fees	57,043	219,433	276,476
Real estate taxes	57,524	484,422	541,946
Depreciation and amortization	258,567	1,049,785	1,308,352
Total operating expenses	$ 950,465	$ 3,396,618	$ 4,347,083
Operating income	160,896	479,701	640,597
Interest and other income	721	26,556	27,277
Interest expense	(704,842)	(1,282,782)	(1,987,624)
Loss on disposal of assets	(5,698)	(483)	(6,181)
Net loss	$ (548,923)	$ (777,008)	$ (1,325,931)

	Year Ended December 31, 2003		
	Multifamily	Commercial	Total
Rental income	$ 1,232,075	$ 2,738,267	$ 3,970,342
Tenant reimbursements	-	1,110,788	1,110,788
Total revenues	$ 1,232,075	$ 3,849,055	$ 5,081,130
Operating expenses and operating expenses - affiliated	$ 504,459	$ 1,503,159	$ 2,007,618
Management fees	61,971	224,205	286,176
Real estate taxes	56,796	451,257	508,053
Depreciation and amortization	228,427	995,648	1,224,075
Total operating expenses	$ 851,653	$ 3,174,269	$ 4,025,922
Operating income	380,422	674,786	1,055,208
Interest and other income	754	43,913	44,667
Interest expense	(278,086)	(678,678)	(956,764)
Loss on disposal of assets	(2,070)	(3,714)	(5,784)
Net income	$ 101,020	$ 36,307	$ 137,327
Land, buildings and amenities, net	$ 3,432,043	$ 16,925,973	$ 20,358,016
Expenditures for land, buildings and amenities	$ 14,382	$ 833,205	$ 847,587
Segment liabilities	$ 3,940,786	$ 10,696,988	$ 14,637,774

	Year Ended December 31, 2002		
	Multifamily	Commercial	Total
Rental income	$ 1,225,210	$ 2,669,237	$ 3,894,447
Tenant reimbursements	-	1,112,148	1,112,148
Total revenues	$ 1,225,210	$ 3,781,385	$ 5,006,595
Operating expenses and operating expenses - affiliated	$ 593,838	$ 1,551,296	$ 2,145,134
Management fees	62,995	220,682	283,677
Real estate taxes	65,768	450,156	515,924
Depreciation and amortization	226,011	1,094,496	1,320,507
Total operating expenses	$ 948,612	$ 3,316,630	$ 4,265,242
Operating income	276,598	464,755	741,353
Interest and other income	1,666	22,595	24,261
Interest expense	(298,498)	(720,638)	(1,019,136)
Loss on disposal of assets	(54,813)	(15,159)	(69,972)
Net loss	$ (75,047)	$ (248,447)	$ (323,494)
Land, buildings and amenities, net	$ 3,656,265	$ 17,100,980	$ 20,757,245
Expenditures for land, buildings and amenities	$ 164,738	$ 568,154	$ 732,892
Segment liabilities	$ 4,099,888	$ 10,032,994	$ 14,132,882

A reconciliation of the totals reported for the operating segments to the applicable line items in the consolidated financial statements is necessary given amounts recorded at the Partnership level and not allocated to the operating properties for internal reporting purposes:

	Period Ended December 27, 2004	Years Ended December 31, 2003	2002
OPERATING EXPENSES AND OPERATING EXPENSES - AFFILIATED			
Operating expenses and operating expenses - affiliated for reportable segments	$ 2,220,309	$ 2,007,618	$ 2,145,134
Operating expenses and operating expenses - affiliated for Partnership	-	-	(2,000)
Total operating expenses and operating expenses - affiliated	$ 2,220,309	$ 2,007,618	$ 2,143,134
DEPRECIATION AND AMORTIZATION			
Depreciation and amortization for reportable segments	$ 1,308,352	$ 1,224,075	$ 1,320,507
Depreciation and amortization for Partnership	15,074	18,619	18,619
Total depreciation and amortization	$ 1,323,426	$ 1,242,694	$ 1,339,126
INTEREST AND OTHER INCOME			
Interest and other income for reportable segments	$ 27,277	$ 44,667	$ 24,261
Interest and other income for Partnership	347,505	82,267	3,293
Total interest and other income	$ 374,782	$ 126,934	$ 27,554
INTEREST EXPENSE			
Interest expense for reportable segments	$ 1,987,624	$ 956,764	$ 1,019,136
Interest expense for Partnership	93,326	20,362	20,362
Total interest expense	$ 2,080,950	$ 977,126	$ 1,039,498
NET (LOSS) INCOME			
Net (loss) income for reportable segments	$ (1,325,931)	$ 137,327	$ (323,494)
Net loss for Partnership (1)	(817,995)	(804,681)	(434,952)
Minority interest	(212,619)	(5,090)	(74,459)
Total net loss	$ (1,931,307)	$ (662,264)	$ (683,987)
LAND, BUILDINGS AND AMENITIES			
Land, buildings and amenities for reportable segments	$ N/A	$ 20,358,016	$ 20,757,245
Land, buildings and amenities for Partnership	N/A	2,392	7,177
Total land, buildings and amenities	$ N/A	$ 20,360,408	$ 20,764,422
LIABILITIES			
Liabilities for reportable segments	$ N/A	$ 14,637,774	$ 14,132,882
Liabilities for Partnership	N/A	399,903	23,206
Total liabilities	$ N/A	$ 15,037,677	$ 14,156,088

(1) The Partnership net loss was primarily composed of professional and administrative costs born by the Partnership as well as interest and other income, depreciation, interest expense and minority interest recorded at the Partnership level and not allocated to the operating segments. The professional and administrative costs include the tax and public company reporting and compliance costs associated with a public limited partnership.

NTS-Properties VI

Our reportable operating segments include - Multifamily and Commercial Real Estate Operations. The multifamily operations represent our ownership and operating results relative to the multifamily communities known as Willow Lake Apartments, Park Place Apartments Phases I and III, Sabal Park Apartments and Golf Brook Apartments. The commercial operations represent our ownership and operating results relative to suburban commercial office space known as Plainview Point Office Center Phase III.

The financial information of the operating segments has been prepared using a management approach, which is consistent with the basis and manner in which our management internally disaggregates financial information for the purposes of assisting in making internal operating decisions. We evaluate performance based on stand-alone operating segment net income or loss. Professional and administrative expenses, depreciation and amortization, interest and other income, interest expense and minority interest income or loss recorded at the Partnership level have not been allocated to the segments.

	Period Ended December 27, 2004		
	Multifamily	Commercial	Total
Rental income	$ 10,066,386	$ 734,985	$ 10,801,371
Tenant reimbursements	-	1,611	1,611
Total revenues	$ 10,066,386	$ 736,596	$ 10,802,982
Operating expenses and operating expenses - affiliated	$ 4,490,747	$ 348,279	$ 4,839,026
Management fees	505,661	44,240	549,901
Real estate taxes	545,857	45,926	591,783
Depreciation and amortization	2,359,139	225,704	2,584,843
Total operating expenses	$ 7,901,404	$ 664,149	$ 8,565,553
Operating income	2,164,982	72,447	2,237,429
Interest and other income	17,610	355	17,965
Interest expense	(2,474,823)	(22,272)	(2,497,095)
Loss on disposal of assets	(10,270)	(4,134)	(14,404)
Net (loss) income	$ (302,501)	$ 46,396	$ (256,105)

	Year Ended December 31, 2003		
	Multifamily	Commercial	Total
Rental income	$ 10,326,587	$ 510,476	$ 10,837,063
Tenant reimbursements	-	2,743	2,743
Total revenues	$ 10,326,587	$ 513,219	$ 10,839,806
Operating expenses and operating expenses - affiliated	$ 4,144,729	$ 297,616	$ 4,442,345
Management fees	517,054	31,504	548,558
Real estate taxes	1,021,875	35,370	1,057,245
Depreciation and amortization	2,324,165	206,505	2,530,670
Total operating expenses	$ 8,007,823	$ 570,995	$ 8,578,818
Operating income (loss)	2,318,764	(57,776)	2,260,988
Interest and other income	42,233	470	42,703
Interest expense	(867,225)	-	(867,225)
Loss on disposal of assets	(103,506)	-	(103,506)
Net income (loss)	$ 1,390,266	$ (57,306)	$ 1,332,960
Land, buildings and amenities, net	$ 38,278,447	$ 2,164,103	$ 40,442,550
Expenditures for land, buildings and amenities	$ 592,613	$ 132,357	$ 724,970
Segment liabilities	$ 12,738,030	$ 164,322	$ 12,902,352

	Year Ended December 31, 2002		
	Multifamily	Commercial	Total
Rental income	$ 9,999,631	$ 603,674	$ 10,603,305
Tenant reimbursements	-	7,284	7,284
Total revenues	$ 9,999,631	$ 610,958	$ 10,610,589
Operating expenses and operating expenses - affiliated	$ 4,139,268	$ 338,074	$ 4,477,342
Management fees	509,300	37,239	546,539
Real estate taxes	857,879	25,517	883,396
Depreciation and amortization	2,527,785	183,967	2,711,752
Total operating expenses	$ 8,034,232	$ 584,797	$ 8,619,029
Operating income	1,965,399	26,161	1,991,560
Interest and other income	10,915	2,956	13,871
Interest expense	(840,145)	-	(840,145)
Loss on disposal of assets	(5,041)	-	(5,041)
Net income	$ 1,131,128	$ 29,117	$ 1,160,245
Land, buildings and amenities, net	$ 40,189,678	$ 2,243,770	$ 42,433,448
Expenditures for land, buildings and amenities	$ 83,937	$ 181,622	$ 265,559
Segment liabilities	$ 13,375,308	$ 90,115	$ 13,465,423

A reconciliation of the totals reported for the operating segments to the applicable line items in the consolidated financial statements is necessary given amounts recorded at the Partnership level and not allocated to the operating properties for internal reporting purposes:

	Period Ended December 27, 2004	Years Ended December 31, 2003	Years Ended December 31, 2002
DEPRECIATION AND AMORTIZATION			
Depreciation and amortization for reportable segments	$ 2,584,843	$ 2,530,670	$ 2,711,752
Depreciation and amortization for Partnership	78,771	89,466	89,466
Total depreciation and amortization	$ 2,663,614	$ 2,620,136	$ 2,801,218
INTEREST AND OTHER INCOME			
Interest and other income for reportable segments	$ 17,965	$ 42,703	$ 13,871
Interest and other income for Partnership	730,566	89,368	7,348
Total interest and other income	$ 748,531	$ 132,071	$ 21,219
INTEREST EXPENSE			
Interest expense for reportable segments	$ 2,497,095	$ 867,225	$ 840,145
Interest expense for Partnership	884,263	1,646,668	1,738,038
Total interest expense	$ 3,381,358	$ 2,513,893	$ 2,578,183
NET (LOSS) INCOME			
Net (loss) income for reportable segments	$ (256,105)	$ 1,332,960	$ 1,160,245
Net loss for Partnership (1)	(1,693,763)	(2,805,037)	(2,489,634)
Minority interest	35,561	35,228	37,145
Total net loss	$ (1,985,429)	$ (1,507,305)	$ (1,366,534)
LAND, BUILDINGS AND AMENITIES			
Land, buildings and amenities for reportable segments	$ N/A	$ 40,442,550	$ 42,433,448
Land, buildings and amenities for Partnership	N/A	3,887	11,661
Total land, buildings and amenities	$ N/A	$ 40,446,437	$ 42,445,109
LIABILITIES			
Liabilities for reportable segments	$ N/A	$ 12,902,352	$ 13,465,423
Liabilities for Partnership (2)	N/A	20,573,242	21,347,451
Total liabilities	$ N/A	$ 33,475,594	$ 34,812,874

(1) The Partnership's net loss was primarily composed of professional and administrative costs born by the Partnership and also includes interest expense, depreciation and minority interest recorded at the Partnership level and not allocated to the operating segments. The professional and administrative costs include the tax and public company reporting and compliance costs associated with a public limited partnership.

(2) These amounts primarily represent the mortgages held by us secured by the assets of the operating segments.

NTS-Properties VII

Our reportable operating segments include only one segment - Multifamily Operations.

NTS Private Group

Our reportable operating segments include – Land, Retail and Commercial Real Estate Operations. The retail operations represent our ownership and operating results relative to Springs Station and Outlets Mall properties located in Louisville, Kentucky. The commercial operations represent our ownership and operating results relative to suburban commercial office space located in Louisville, Kentucky. The land operations represent our ownership and operating results relative to a ground lease located in Louisville, Kentucky.

The financial information of the operating segments has been prepared using a management approach, which is consistent with the basis and manner in which our management internally disaggregates financial information for the purposes of assisting in making internal operating decisions. We evaluate performance based on stand-alone operating segment net income or loss.

	Period Ended December 27, 2004			
	Land	Retail	Commercial	Total
Rental income	$ 45,087	$ 1,281,893	$ 7,441,255	$ 8,768,235
Tenant reimbursements	-	76,349	428,985	505,334
Total revenues	45,087	1,358,242	7,870,240	9,273,569
Operating expenses and operating expenses - affiliated	1,133	233,260	2,200,789	2,435,182
Management fees	1,200	81,579	476,303	559,082
Real estate taxes	1,581	29,777	369,896	401,254
Professional and administrative expenses	32,793	35,080	90,501	158,374
Depreciation and amortization	5,087	315,343	1,686,923	2,007,353
Total operating expenses	41,794	695,039	4,824,412	5,561,245
Operating income	3,293	663,203	3,045,828	3,712,324
Interest and other income	-	647	22,110	22,757
Interest expense	-	(423,166)	(5,432,268)	(5,855,434)
Loss on disposal of assets	-	-	(38,706)	(38,706)
Net income (loss)	$ 3,293	$ 240,684	$ (2,403,036)	$ (2,159,059)

	Year Ended December 31, 2003			
	Land	Retail	Commercial	Total
Rental income	$ 53,537	$ 1,280,514	$ 7,420,793	$ 8,754,844
Tenant reimbursements	-	90,003	424,587	514,590
Total revenues	53,537	1,370,517	7,845,380	9,269,434
Operating expenses and operating expenses - affiliated	2,261	92,024	2,014,658	2,108,943
Management fees	1,200	81,445	473,512	556,157
Real estate taxes	1,561	29,402	374,182	405,145
Professional and administrative expenses	24,861	24,861	66,294	116,016
Depreciation and amortization	5,087	293,497	1,617,913	1,916,497
Total operating expenses	34,970	521,229	4,546,559	5,102,758
Operating income	18,567	849,288	3,298,821	4,166,676
Interest and other income	-	429	18,500	18,929
Interest income – affiliated	3,741	11,613	38,881	54,235
Interest expense	-	(451,724)	(2,421,281)	(2,873,005)
Interest expense – affiliated	(238)	-	(69,331)	(69,569)
Loss on disposal of assets	-	-	(119,773)	(119,773)
Net income	$ 22,070	$ 409,606	$ 745,817	$ 1,177,493
Land, buildings and amenities, net	$ 163,111	$ 7,664,048	$ 27,288,180	$ 35,115,339
Expenditures for land, buildings and amenities	$ -	$ 142,285	$ 1,041,555	$ 1,183,840
Segment liabilities	$ 5,553	$ 5,941,154	$ 31,630,010	$ 37,576,717

	Year Ended December 31, 2002			
	Land	Retail	Commercial	Total
Rental income	$ 216,344	$ 1,216,528	$ 8,092,177	$ 9,525,049
Tenant reimbursements	-	29,027	489,157	518,184
Total revenues	216,344	1,245,555	8,581,334	10,043,233
Operating expenses and operating expenses - affiliated	17,953	94,981	2,098,038	2,210,972
Management fees	3,600	77,406	507,504	588,510
Real estate taxes	1,563	29,875	372,845	404,283
Depreciation and amortization	5,087	269,271	1,569,683	1,844,041
Total operating expenses	28,203	471,533	4,548,070	5,047,806
Operating income	188,141	774,022	4,033,264	4,995,427
Interest and other income	37,960	359	31,368	69,687
Interest income – affiliated	11,261	26,544	105,371	143,176
Interest expense	(224)	(501,406)	(2,617,805)	(3,119,435)
Interest expense – affiliated	-	-	(155,583)	(155,583)
Loss on disposal of assets	-	-	(432)	(432)
Net income	$ 237,138	$ 299,519	$ 1,396,183	$ 1,932,840
Land, buildings and amenities, net	$ 574,306	$ 7,788,281	$ 27,916,674	$ 36,279,261
Expenditures for land, buildings and amenities	$ -	$ 3,454	$ 262,754	$ 266,208
Segment liabilities	$ 8,370	$ 6,330,785	$ 40,746,339	$ 47,085,494

Blankenbaker Business Center 1A

The joint venture's reportable operating segments include only one segment - Commercial Real Estate Operations.

Note 11 - Selected Quarterly Financial Data (Unaudited)

NTS Realty

2004	For the Quarters Ended March 31	June 30	September 30	December 31
Operating loss	$ (18,041)	$ (286)	$ (5,789)	$ (3,245,424)(1)
Net loss allocated to the limited partners	(16,908)	(268)	(5,426)	(3,041,689)
Net loss per limited partnership unit	-	-	-	(0.29)

(1) See Note 9 – Commitments and Contingencies for a discussion of our Merger/Settlement Charge.

NTS-Properties III

2004	For the Quarters Ended March 31	June 30	September 30	December 27
Total revenues	$ 934,067	$ 941,357	$ 955,054	$ 980,530
Operating income	118,630	169,855	210,636	135,231
Net income (loss) allocated to the limited partners	31,184	82,594	125,578	(443,891)
Net income (loss) per limited partnership unit	2.48	6.57	9.99	(35.31)

2003	For the Quarters Ended March 31	June 30	September 30	December 31
Total revenues	$ 992,864	$ 922,773	$ 931,837	$ 916,406
Operating income	225,742	134,746	216,807	113,562
Net income allocated to the limited partners	127,495	40,930	121,030	23,371
Net income per limited partnership unit	10.14	3.26	9.63	1.86

NTS-Properties IV

2004	For the Quarters Ended March 31	June 30	September 30	December 27
Total revenues	$ 597,208	$ 584,315	$ 557,256	$ 496,168
Operating (loss) income	(86,370)	5,068	(10,955)	(157,891)
Net loss allocated to the limited partners	(116,877)	(17,261)	(61,512)	(438,346)
Net loss per limited partnership unit	(4.85)	(0.72)	(2.55)	(18.18)

2003	For the Quarters Ended March 31	June 30	September 30	December 31
Total revenues	$ 624,518	$ 632,816	$ 614,204	$ 721,491
Operating income	112,589	68,192	129,550	100,638
Net income allocated to the limited partners	75,015	36,671	80,040	63,066
Net income per limited partnership unit	3.11	1.52	3.32	2.62

NTS-Properties V

2004	For the Quarters Ended March 31	June 30	September 30	December 27
Total revenues	$ 1,215,284	$ 1,279,607	$ 1,257,912	$ 1,234,877
Operating (loss) income	(181,759)	29,120	(142,563)	(136,375)
Minority interest	(10,364)	694	(28,098)	(174,851)
Net loss allocated to the limited partners	(406,332)	(211,541)	(346,814)	(947,307)
Net loss per limited partnership unit	(13.31)	(6.93)	(11.36)	(31.05)

2003	For the Quarters Ended March 31	June 30	September 30	December 31
Total revenues	$ 1,206,033	$ 1,392,484	$ 1,232,267	$ 1,250,346
Operating income	7,921	83,693	70,520	26,488
Minority interest	(7,046)	11,688	(4,925)	(4,807)
Net loss allocated to the limited partners	(229,576)	(170,975)	(161,165)	(93,925)
Net loss per limited partnership unit	(7.52)	(5.60)	(5.28)	(3.08)

NTS-Properties VI

2004	For the Quarters Ended March 31	June 30	September 30	December 27
Total revenues	$ 2,614,659	$ 2,657,086	$ 2,734,123	$ 2,797,114
Operating income	73,612	326,974	110,821	185,956
Minority interest	5,416	8,193	8,675	13,277
Net loss allocated to the limited partners	(524,166)	(265,596)	(484,478)	(691,335)
Net loss per limited partnership unit	(13.48)	(6.83)	(12.46)	(17.77)

2003	For the Quarters Ended March 31	June 30	September 30	December 31
Total revenues	$ 2,748,067	$ 2,711,069	$ 2,694,201	$ 2,686,469
Operating income (loss)	361,311	(8,885)	270,682	390,143
Minority interest	8,743	6,336	7,674	12,475
Net loss allocated to the limited partners	(280,881)	(719,330)	(360,295)	(131,726)
Net loss per limited partnership unit	(7.22)	(18.50)	(9.26)	(3.39)

NTS-Properties VII

2004		For the Quarters Ended March 31		June 30		September 30		December 27
Total revenues	$	385,305	$	385,414	$	408,219	$	392,614
Operating loss		(83,968)		(34,097)		(4,870)		(51,492)
Net loss allocated to the limited partners		(115,179)		(67,652)		(50,157)		(96,585)
Net loss per limited partnership unit		(0.21)		(0.12)		(0.09)		(0.18)

2003		For the Quarters Ended March 31		June 30		September 30		December 31
Total revenues	$	431,371	$	427,262	$	398,423	$	380,802
Operating income (loss)		24,585		(7,204)		20,782		(48,183)
Net loss allocated to the limited partners		(9,251)		(40,357)		(34,128)		(84,880)
Net loss per limited partnership unit		(0.02)		(0.07)		(0.06)		(0.16)

NTS Private Group

2004		For the Quarters Ended March 31		June 30		September 30		December 27
Total revenues	$	2,305,856	$	2,277,937	$	2,305,774	$	2,384,002
Operating income		854,754		882,775		946,252		1,028,543
Net income (loss)		144,515		234,225		293,741		(2,831,540)

2003		For the Quarters Ended March 31		June 30		September 30		December 31
Total revenues	$	2,269,918	$	2,241,155	$	2,367,046	$	2,391,315
Operating income		1,067,700		972,737		992,152		1,134,087
Net income		304,172		144,296		283,958		445,067

Blankenbaker Business Center 1A

2004		For the Quarters Ended March 31		June 30		September 30		December 27
Total revenues	$	237,253	$	237,253	$	237,253	$	237,252
Operating income		113,981		106,707		68,632		65,779
Net income		88,535		84,296		46,286		28,381

2003		For the Quarters Ended March 31		June 30		September 30		December 31
Total revenues	$	237,253	$	237,253	$	237,253	$	237,252
Operating income		128,257		121,842		105,448		107,399
Net income		91,077		87,568		22,472		78,897

Item 9 - Change in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A - Controls and Procedures

Our managing general partner established disclosure controls and procedures to ensure that our material information is made known to the officers of our managing general partner who certify our financial reports, to our management and to the board of directors of our managing partner.

As of December 31, 2004, our managing general partner's Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective to ensure that the information required to be disclosed by us in the reports that we file or submit under Securities and Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

PART III

Item 10 – Directors and Executive Officers of the Registrant

The information required by this Item 10 is incorporated by reference to, and will be contained in, our definitive proxy statement, which we anticipate filing no later than April 30, 2005.

Item 11 – Executive Compensation

The information required by this Item 11 is incorporated by reference to, and will be contained in, our definitive proxy statement, which we anticipate filing no later than April 30, 2005.

Item 12 - Security Ownership of Certain Beneficial Owners and Management

The information required by this Item 12 is incorporated by reference to, and will be contained in, our definitive proxy statement, which we anticipate filing no later than April 30, 2005.

Item 13 - Certain Relationships and Related Transactions

The information required by this Item 13 is incorporated by reference to, and will be contained in, our definitive proxy statement, which we anticipate filing no later than April 30, 2005.

Item 14 – Principal Accountant Fees and Services

The information required by this Item 14 is incorporated by reference to, and will be contained in, our definitive proxy statement, which we anticipate filing no later than April 30, 2005.

PART IV

Item 15 – Exhibits and Financial Statement Schedules

1 – Financial Statements

The financial statements along with the report from Ernst & Young LLP dated March 30, 2005, appear in Part II, Item 8. The following schedules should be read in conjunction with those financial statements.

2 – Financial Statement Schedules

Schedules	Page No.
Schedule III-Real Estate and Accumulated Depreciation	146-147

All other schedules have been omitted because they are not applicable, are not required, or because the required information is included in the financial statements or notes thereto.

3 – Exhibits

Exhibit No.		
2.01	Agreement and Plan of Merger entered into by and among NTS Realty Holdings Limited Partnership, NTS-Properties III, NTS-Properties IV, NTS-Properties V, a Maryland limited partnership, NTS-Properties VI, a Maryland limited partnership and NTS-Properties VII, Ltd.	(2)
2.02	Contribution Agreement entered into by and among NTS Realty Holdings Limited Partnership and ORIG, LLC.	(3)
3.01	Certificate of Limited Partnership of NTS Realty Holdings Limited Partnership.	(5)
3.02	Form of Agreement of Limited Partnership of NTS Realty Holdings Limited Partnership.	(4)
3.03	Certificate of Incorporation of NTS Realty Capital, Inc.	(5)
3.04	Bylaws of NTS Realty Capital, Inc.	(6)
10.01	Form of Management Agreement between NTS Realty Holdings Limited Partnership and NTS Development Company.	(5)
10.02	Lease Agreement dated as of January 12, 2005, between NTS Realty Holdings Limited Partnership and SHPS, Inc.	(1)
14.01	Code of Conduct and Ethics.	(1)

Exhibit No.

31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.	(1)
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.	(1)
32.1	Certification of Chief Executive Officer Pursuant to18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	(1)
32.2	Certification of Chief Financial Officer Pursuant to18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	(1)
99.1	Form of Lock-up Agreement between NTS Realty Holdings Limited Partnership and the executive officers of NTS Realty Capital, Inc.	(5)
99.2	Registration Statement on Form S-4, as filed by the Registrant with the Securities and Exchange Commission on October 27, 2004.	(7)

(1) Filed as part of this Annual Report on Form 10-K.

(2) Incorporated by reference to Appendix B to the Registrant's Registration Statement on Form S-4, as filed by the Registrant with the Securities and Exchange Commission on October 27, 2004 (file number 333-112467).

(3) Incorporated by reference to Appendix C to the Registrant's Registration Statement on Form S-4, as filed by the Registrant with the Securities and Exchange Commission on October 27, 2004 (file number 333-112467).

(4) Incorporated by reference to Appendix D to the Registrant's Registration Statement on Form S-4, as filed by the Registrant with the Securities and Exchange Commission on October 27, 2004 (file number 333-112467).

(5) Incorporated by reference to the Registrant's Form S-4, as filed by the Registrant with the Securities and Exchange Commission on February 4, 2004.

(6) Incorporated by reference to Amendment No.1 to the Form S-4, as filed by the Registrant with the Securities and Exchange Commission on June 18, 2004.

(7) Incorporated by reference to the Registrant's Registration Statement on Form S-4, as filed with the Securities and Exchange Commission on October 27, 2004 (file number 333-112467).

NTS REALTY HOLDINGS LIMITED PARTNERSHIP
SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION
AS OF DECEMBER 31, 2004

		Initial Cost to Company		Cost Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period				
Property Description	Encumbrances	Land	Buildings and Improvements	Land	Buildings and Improvements	Land	Buildings and Improvements	Total (1)	Accumulated Depreciation (2)	Year Constructed
Commercial										
Anthem Office Center	$ -	$ 760,037	$ 3,339,521	$ -	$ -	$ 760,037	$ 3,339,521	$ 4,099,558	$ -	1995
Atrium (8)	-	1,032,711	1,839,129	-	-	1,032,711	1,839,129	2,871,840	-	1984
BBC 1A (8)	-	1,529,025	2,270,164	-	-	1,529,025	2,270,164	3,799,189	-	1988
BBC 1B (8)	-	365,659	1,428,756	-	-	365,659	1,428,756	1,794,415	-	1988
BBC II (8)	-	543,639	2,025,969	-	-	543,639	2,025,969	2,569,608	-	1988
Clarke American (3)	3,101,366	521,736	2,165,877	-	-	521,736	2,165,877	2,687,613	-	2000
CBC I	-	981,827	1,964,935	-	-	981,827	1,964,935	2,946,762	-	1984
CBC II	-	891,649	1,208,480	-	-	891,649	1,208,480	2,100,129	-	1985
Lakeshore I (7)	-	2,128,882	3,661,323	-	-	2,128,882	3,661,323	5,790,205	-	1986
Lakeshore II (7)	-	3,171,812	3,772,955	-	-	3,171,812	3,772,955	6,944,767	-	1989
Lakeshore III (7)	-	1,264,136	3,252,297	-	-	1,264,136	3,252,297	4,516,433	-	2000
NTS Center	-	1,074,010	2,977,364	-	-	1,074,010	2,977,364	4,051,374	-	1977
Peachtree	-	1,417,444	3,459,185	-	-	1,417,444	3,459,185	4,876,629	-	1979
Plainview Center	-	753,160	3,414,356	-	-	753,160	3,414,356	4,167,516	-	1983
Plainview Point I & II	-	447,129	1,993,392	-	-	447,129	1,993,392	2,440,521	-	1983
Plainview Point III (4)	2,905,604	681,927	2,139,793	-	-	681,927	2,139,793	2,821,720	-	1987
Sears	-	925,539	1,390,215	-	-	925,539	1,390,215	2,315,754	-	1987
Springs Med. I (8)	-	1,221,864	3,438,614	-	-	1,221,864	3,438,614	4,660,478	-	1988
Springs Office (8)	-	2,667,040	5,660,709	-	-	2,667,040	5,660,709	8,327,749	-	1990
Multifamily (6)										
Golf Brook	-	2,728,354	11,607,036	-	-	2,728,354	11,607,036	14,335,390	-	1989
Park Place I	-	1,697,989	6,633,194	-	-	1,697,989	6,633,194	8,331,183	-	1987
Park Place II	-	1,584,214	6,004,630	-	-	1,584,214	6,004,630	7,588,844	-	1989
Park Place III	-	1,899,320	8,444,639	-	-	1,899,320	8,444,639	10,343,959	-	2000
Park at the Willows	-	350,273	1,481,672	-	-	350,273	1,481,672	1,831,945	-	1988
Sabal Park	-	2,260,385	6,350,527	-	-	2,260,385	6,350,527	8,610,912	-	1987
Willow Lake	-	2,555,062	8,368,028	-	-	2,555,062	8,368,028	10,923,090	-	1985
Willows of Plainview I	-	1,326,136	4,489,812	-	-	1,326,136	4,489,812	5,815,948	-	1985
Willows of Plainview II	-	1,339,039	4,975,793	-	-	1,339,039	4,975,793	6,314,832	-	1985
Retail										
Bed, Bath & Beyond (5)	2,806,142	734,860	2,290,252	-	-	734,860	2,290,252	3,025,112	-	1999
Outlets Mall	-	1,008,618	2,763,070	-	-	1,008,618	2,763,070	3,771,688	-	1983
Springs Station (8)	-	427,465	978,891	-	-	427,465	978,891	1,406,356	-	2001
Land										
ITT Parking Lot	-	161,529	-	-	-	161,529	-	161,529	-	N/A
		$40,452,470	$115,790,578	$ -	$ -	$40,452,470	$115,790,578	$156,243,048	$ -	

(1) Aggregate cost of real estate for tax purposes is approximately $237,542,000.
(2) Depreciation is computed using the straight-line method over the estimated useful lives of the assets which are 5-30 years for land improvements, 5-40 years for buildings and improvements and 3-30 years for amenities. Tenant improvements are generally depreciated over the life of the respective tenant lease.
(3) Mortgage held by an insurance company secured by certain land and a building.
(4) Mortgage held by an insurance company secured by certain land, building and amenities.
(5) Mortgage held by a bank secured by certain land and a building.
(6) $75,000,000 mortgage held by an insurance company secured by Golf Brook Apartments, Sabal Park Apartments, Willow Lake Apartments, The Willows of Plainview Phases I and II, The Park at the Willows and Park Place Apartments Phases I, II and III.
(7) $14,000,000 mortgage held by a bank secured by Lakeshore Business Center Phases I, II and III.
(8) Theses properties were mortgaged in connection with a $30 million mortgage payable to an insurance company in March 2005.

NTS REALTY HOLDINGS LIMITED PARTNERSHIP
SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION
FOR THE YEAR ENDED DECEMBER 31, 2004

	Real Estate	Accumulated Depreciation
Balances on January 15, 2004	$ -	$ -
Merger acquisitions:		
Land	40,452,470	-
Buildings and amenities	115,790,578	-
Balances on December 31, 2004	$ 156,243,048	$ -

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NTS REALTY HOLDINGS LIMITED PARTNERSHIP

By: NTS REALTY CAPITAL, INC.
Its: Managing General Partner

By: /s/ Brian F. Lavin
Brian F. Lavin
Its: President and Chief Executive Officer
Date: March 31, 2005

By: /s/ Gregory A. Wells
Gregory A. Wells
Its: Chief Financial Officer
Date: March 31, 2005

Pursuant to the requirements of the Securities Exchange Act of 1934, this Form 10-K has been signed below by the following persons on behalf of the registrant in their capacities and on the date indicated above.

By: /s/ J.D. Nichols
J.D. Nichols
Its: Chairman of the Board
Date: March 31, 2005

By: /s/ Brian F. Lavin
Brian F. Lavin
Its: Director
Date: March 31, 2005

By: /s/ Mark D. Anderson
Mark D. Anderson
Its: Director
Date: March 31, 2005

By: /s/ John Daly
John Daly
Its: Director
Date: March 31, 2005

By: /s/ John S. Lenihan
John S. Lenihan
Its: Director
Date: March 31, 2005

Exhibit 10.02

LEASE AGREEMENT

NTS REALTY HOLDINGS LIMITED PARTNERSHIP,

a Delaware limited partnership
(as successor in interest to Blankenbaker Business Center
Joint Venture, a Kentucky joint venture, and
NTS/BBC I, a Kentucky limited partnership)

("LANDLORD")

AND

SHPS, INC., a Florida corporation
("TENANT")

LEASE AGREEMENT

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LEASE AGREEMENT

THIS LEASE AGREEMENT (the "Lease") is entered into as of the 12th day of January, 2005, by and between Landlord and Tenant, as hereinafter defined.

RECITALS:

A. Blankenbaker Business Center Joint Venture, a Kentucky joint venture ("BBCJV") comprised of NTS-Properties IV, Ltd., a Kentucky limited partnership, NTS-Properties VII, Ltd., a Florida limited partnership and ORIG, LLC, a Kentucky limited liability company (successor by merger with NTS-Properties Plus, Ltd.) entered into that certain Lease dated April 28, 1994 pursuant to which BBCJV leased to Prudential Service Bureau, Inc. ("Prudential") the entire building known as Blankenbaker Business Center IA ("BBCIA") containing approximately 100,640 rentable square feet of space (the "BBCIA Lease"). Pursuant to that certain Assignment and Assumption of Lease dated as of March 31, 1998, Sykes HealthPlan Service Bureau, Inc., a Kentucky corporation (formerly known as Prudential Service Bureau, Inc.) assigned the BBCIA Lease to Sykes HealthPlan Services, Inc., a Florida corporation, now known as SHPS, Inc. and the Tenant under this Lease. The term of the BBCIA Lease expires July 31, 2005.

B. NTS/BBC I, a Kentucky limited partnership, entered into that certain Lease dated as of April 28, 1994 pursuant to which NTS/BBCI leased to Prudential the entire building known as Blankenbaker Business Center IB ("BBCIB") containing approximately 60,049 rentable square feet of space (the "BBCIB Lease"). Pursuant to that certain Assignment and Assumption of Lease dated as of March 31, 1998, Sykes HealthPlan Service Bureau, Inc., a Kentucky corporation (formerly known as Prudential Service Bureau, Inc.) assigned the BBCIB Lease to Sykes HealthPlan Services, Inc., a Florida corporation, now known as SHPS, Inc. and the Tenant under this Lease. The term of the BBCIB Lease expires on July 31, 2005.

C. Landlord (as successor in interest to Blankenbaker Business Center Joint Venture and NTS/BBC I) and Tenant desire to enter into a new Lease pursuant to which Landlord will lease each of the entire buildings consisting of BBCIA and BBCIB to Tenant pursuant to the terms and conditions contained herein, which Lease shall, as of January 12, 2005, replace and supercede the BBCIA Lease and the BBCIB Lease, which Landlord and Tenant agree shall terminate as of midnight January 11, 2005.

Subject to all of the terms, provisions, covenants and conditions set forth herein, and in consideration of the mutual covenants, obligations and agreements contained in this Lease, Landlord and Tenant agree as follows:

1. TERMS AND DEFINITIONS. As used in this Lease, the following terms shall have the meanings set forth herein:

A. Landlord. NTS Realty Holdings Limited Partnership, a Delaware limited partnership (as successor in interest to Blankenbaker Business Center Joint Venture, and NTS/BBCI).

B. Tenant. SHPS, Inc., a Florida corporation.

C. Commencement Date. January 12, 2005

D. Building. The buildings designated as Blankenbaker Business Center IA (consisting of approximately 100,640 Rentable square feet of space) and Blankenbaker Business Center IB (consisting of approximately 60,049 Rentable square feet of space), collectively, located in the development known as Blankenbaker Business Center, together with all interior areas common to both, and the outdoor courtyard located between such buildings and enclosed by a gated entrance.

E. Building Address. 11405 Bluegrass Parkway, Louisville, Kentucky 40299

F. Premises. Approximately 160,689 square feet of rentable area in the Building as outlined on Exhibit "A" attached hereto and made a part hereof, which comprises all of the rentable area in the Building, as improved in accordance with the Work Letter Agreement attached hereto and made a part hereof as Exhibit "C". Within thirty (30) days after the Commencement Date, the Rentable square footage of the Premises shall be confirmed by a licensed architect mutually agreed upon by Landlord and Tenant, and shall be measured in accordance with "Standard Method for Measuring Floor Area in Office Building," published by the Secretariat, Buildings, Owners Managers Association International (ANSI/BOMA 265.1-1996), approved June 7, 1996 ("BOMA").

G. Land. That certain tract of land situated in Jefferson County, Kentucky more particularly described on Exhibit B attached hereto and made a part hereof and upon which the Building is located.

H. Permitted Use. Executive and other general and administrative office use, as a customer call center, as indoor warehouse or storage space, as supply or warehouse distribution center, for educational purposes, as athletic facilities, for medical purposes or as medical facilities, or for any other similar commercial use permitted by and conforming with applicable laws (including parking requirements), building codes and use restrictions (but not including any residential, industrial or agricultural use), and for purposes incidental and ancillary thereto, in accordance with all applicable laws, building codes and use restrictions recorded in the public records of Jefferson County, Kentucky prior to the date of this Lease, and for no other purpose whatsoever.

I. Annual Base Rent. Years 1-5 $10.12 per Rentable square foot;
Years 6-11 $11.42 per Rentable square foot.

So long as Tenant is not in default under this Lease, Tenant shall receive a credit against Annual Base Rent due in the first Lease Year of the Term equal, in the aggregate, to $300,000.00, which shall be credited against Tenant's Monthly Base Rent Installment in the first (1st) three (3) months during the Term.

J. Monthly Base Rent Installment. Years 1-5- $135,514.39
Years 6-11- $152,922.37

If the Rentable square footage of the Premises as determined by the calculation made pursuant to Section 1.F. hereof differs from the approximate number of Rentable square feet stated in Section 1.F. hereof, the Monthly Base Rent Installment amounts set forth above shall be appropriately adjusted to reflect such difference.

K. Security Deposit. None.

L. Tenant's Proportionate Share. 100%.

M. Landlord's Work. All of the work to be performed in the Premises by Landlord pursuant to the provisions of the Work Letter Agreement.

N. Tenant's Work. All of the work to be performed by Tenant pursuant to the provisions of the Work Letter Agreement.

O. Plans and Specifications. The plans and specifications to be provided by Tenant pursuant to the Work Letter Agreement and pursuant to which the Tenant Finish will be completed.

P. Tenant Finish. The aggregate of the Landlord's Work and the Tenant's Work, as defined in the Work Letter Agreement.

Q. Parking Area. The parking surfaces serving the Building and located on the Land and outlined on Exhibit H attached hereto and made a part hereof, consisting of approximately 842 parking spaces.

R. Term. Eleven (11) years commencing on January 12, 2005 and ending January 11, 2016 (the "Expiration Date"), and any Renewal Term(s), as defined in this Lease.

S. Lease Year. Each consecutive twelve (12) month period during the Term commencing on the Commencement Date.

T. Brokers. Tenant's Broker: Grubb & Ellis/Commercial Kentucky ("GE/CK"). Tenant's Co-Broker: Cushman & Wakefield (to be paid by GE/CK).

U. Operating Expense Stop. $2.62 per Rentable square foot of space in the Building.

V. Tenant Improvement Allowance. $2,000,000.00 to be made available to Tenant upon the Commencement Date of this Lease, and to be held in Landlord's Escrow Account and disbursed to Tenant pursuant to the terms and conditions set forth in the Work Letter Agreement.

2. PREMISES AND COMMON AREAS.

A. Premises. Landlord hereby leases to Tenant and Tenant hereby leases from Landlord, the Premises on the terms and conditions contained herein. Tenant shall also have the exclusive right to use the outdoor courtyard located between the buildings comprising the Building and enclosed by a gated entrance and may limit access to such courtyard to its employees, agents, guests and invitees subject to Landlord's rights to enter as set forth in this Lease.

B. Common Areas. Landlord grants to Tenant the non-exclusive right to use the sidewalks, driveways and other areas of the Land directly benefiting the Building in common with others (the "Common Areas"). Landlord represents, warrants and covenants that throughout the Term of this Lease Tenant, and its customers, invitees and employees, shall have access to and the right to use the driveways and entranceways currently used by Tenant and its customers, invitees, and employees to access the Premises and the Parking Area, and Landlord, and its successors and assigns, shall not alter or obstruct such driveways and entranceways without prior reasonable notice to Tenant, and shall not alter such driveways or entranceways in a manner which would reduce Tenant's Parking Area (as such term is defined below) or permanently impair or unreasonably interfere with Tenant's access to the parking area or the Leased Premises. Landlord agrees to maintain the Common Areas in good condition and repair in a manner consistent with other comparable office buildings located in the Blankenbaker Industrial Park area in Louisville, Kentucky.

C. Reserved Rights. Landlord reserves the right from time to time, without unreasonable interference with Tenant's Permitted Use or enjoyment of the Premises, to alter or relocate any Common Area facility serving the Building, except as otherwise provided herein.

D. Parking. Tenant and its employees and visitors shall have the non-exclusive right to use, without charge, any of the surface parking facilities at the Building (which parking is outlined on Exhibit H hereto and consists of approximately 842 parking spaces (the "Parking Area")). Landlord represents, warrants and covenants that throughout the Term of this Lease, Tenant, and its customers, invitees and employees, shall have access to and the right to use the Parking Area, and Landlord, and its successors and assigns, shall not alter or reconfigure such Parking Area without Tenant's prior written consent (except for such alterations and reconfigurations which do not reduce the Parking Area). Landlord may reserve spaces for visitors, small cars and handicapped individuals, and Tenant and its employees and visitors shall park in such parking spaces accordingly. Landlord reserves the right to temporarily close a portion of the parking areas in order to make repairs, perform maintenance or replace the parking surface and shall use reasonable efforts to minimize interference with Tenant's use of the

Premises. Tenant shall not use the parking areas in any manner for the storage of materials, parts, supplies, trailers, equipment or machinery, nor shall Tenant use the parking areas in any manner which could obstruct or interfere with the rights or safety of other tenants or persons. Landlord agrees that during the Term of this Lease they shall not grant to any owner of the land upon which the BBCII building is located any further rights to use the parking areas outlined on Exhibit H.

3. TERM, CONSTRUCTION AND POSSESSION.

A. Term. The Term shall commence on the Commencement Date and shall continue in full force and effect until the Expiration Date, unless earlier terminated as provided herein.

B. Option to Renew. Landlord grants Tenant the option to renew this Lease with respect to the entire Premises for one (1) period of five (5) years (a "Renewal Term"); provided that this Lease is in full force and effect, and Tenant shall not be in Default or shall not have displayed a regular pattern of default in the performance of its duties and obligations under this Lease on the date Tenant elects to renew and on the date any Renewal Term is to commence. Each Renewal Term shall begin on the first day following the expiration of the Initial Term or the then current Renewal Term. To exercise the option to renew granted herein, Tenant shall give written notice to Landlord of its exercise of the option to renew no more than sixteen (16) months and no less than twelve (12) months prior to the expiration of the Initial Term or the then current Renewal Term. All of the terms, covenants and conditions contained in this Lease for the Initial Term shall remain in full force and effect and shall apply during a Renewal Term, except that the Annual Base Rent, Tenant Improvement Allowance and Operating Expense Stop shall be negotiated between Landlord and Tenant for the Renewal Term. Any Transfer in violation of the provisions of Paragraph 22 of this Lease shall automatically terminate Tenant's Option to Renew hereunder as of the date which is one day prior to the effective date of such Transfer.

C. Construction of Improvements to Premises and Building. The Premises and Building shall be improved in accordance with the terms of the Work Letter Agreement and the Tenant Finish shall be performed by Landlord and/or Tenant as set forth in the Work Letter Agreement. The cost of construction of improvements exceeding the Approved Plans shall be paid by Tenant as set forth in the Work Letter Agreement.

D. Possession. Tenant has possession of the Premises as of the date hereof under the BBCIA Lease and the BBCIB Lease, and Tenant's possession shall continue notwithstanding the termination of the BBCIA Lease and the BBCIB Lease on January 11, 2005, pursuant to this Lease on the Commencement Date of this Lease.

E. 2004 Rent Refund. So long as Tenant is not in default under the BBCIA Lease or the BBCIB Lease prior to the Commencement Date, or under this Lease, Tenant shall be entitled to payment by Landlord on the Commencement Date of an amount representing a refund of a portion of Tenant's 2004 rent payments under the BBCIA Lease and BBCIB Lease in the sum of $300,000.00.

4. ANNUAL BASE RENT; OPERATING EXPENSES.

A. Tenant shall pay the Annual Base Rent to Landlord at the location designated from time to time by Landlord pursuant to Paragraph 6 hereof, in the amount of the Monthly Base Rent Installment from and after the Commencement Date, in advance on or prior to the first (1st) day of each and every calendar month during the Term without demand, deduction, abatement, set-off, counterclaim or prior notice; provided, however, that so long as Tenant is not in Default under this Lease, Tenant shall receive a credit against Annual Base Rent due during the first Lease year of the Term equal, in the aggregate, to $300,000.00, which amount shall be credited against Tenant's Monthly Base Rent Installment for the first (1st) three (3) months during the Term commencing in January, 2005 until such credit is exhausted. If the Term commences or ends on a day other than the first day of a month, then the Monthly Base Rent Installment for such partial month period shall be prorated on the basis of thirty (30) days to the month and shall be paid on the first day of such partial month. In the event any Federal, State or local governmental body imposes any tax or levy on any Rent, Tenant hereby agrees to pay as additional rent the amount of any such tax or levy, and such tax or levy will be added to the Rent.

B. The Annual Base Rent shall be adjusted from time to time in accordance with this Paragraph 4 to reflect increases in the expenses of operating the Building ("Expenses"). The Annual Base Rent, including the adjustments made pursuant to this Paragraph 4 and any other amounts due and owing from Tenant to Landlord under this Lease, is referred to in this Lease as the "Rent." If the Expenses (as such term is defined below) in any Lease Year or partial Lease Year after the first Lease Year exceed the Operating Expense Stop, Annual Base Rent shall be adjusted on an annual basis, as provided in the immediately preceding sentence, to include Tenant's Proportionate Share of such excess. After the end of each calendar year during the Term, but in no event later than one hundred twenty (120) days after the end of each such calendar year, Landlord will provide Tenant with a written notice ("Statement") setting forth the amount of any adjustments to Annual Base Rent, together with a statement of Expenses for the previous calendar year. Landlord agrees to use reasonable efforts to deliver the Statement to Tenant by March 31st of each calendar year. Within thirty (30) days following receipt of the Statement, Tenant shall pay to Landlord: [i] the adjustment to Annual Base Rent for the previous calendar year after credit for any estimated payments which Tenant has made pursuant to this Paragraph; and [ii] an estimated adjustment to Annual Base Rent for the months which have lapsed in the then-current calendar year based on the previous calendar year's increase in Expenses and Landlord's good faith projection of the increase in Expenses during the then-current calendar year after credit for any estimated payments made by Tenant pursuant to this Paragraph. Commencing with the month following the month in which the Statement is dated and continuing until such time as Tenant receives Landlord's next Statement, the Monthly Base Rent Installments shall be adjusted to include Tenant's Proportionate Share of any Expenses in excess of the Operating Expense Stop based on Expenses for the previous calendar year and Landlord's good faith projection of the increase in Expenses for the then-current calendar year. The adjusted portion of the payments of Annual Base Rent shall be credited against the actual Expenses as shown in Landlord's next Statement. If the next Statement shows that Tenant has overpaid and if Tenant is not then in Default under this Lease, Landlord shall credit such overpayment against the next accruing payments of Rent until the overpayment is reduced to zero. If the next Statement shows that Tenant has underpaid, Tenant shall, within ten (10) days of receipt of such Statement, pay to Landlord the full amount of such underpayment. The obligation to pay the adjustments to Annual Base Rent shall survive any termination of this Lease. Notwithstanding any other provision herein to the contrary, it is agreed that in the event the Tenant is not occupying the entire Building during any partial calendar year or any full calendar year, an adjustment shall be made by Landlord in computing the Expenses for such year so that the Expenses shall be computed for such year as though the Building had been fully occupied by Tenant during such calendar year and as though the entire Building had been provided with the building services to be provided Tenant under this Lease during such calendar year, and the Annual Base Rent payable by Tenant shall in no event be less than the Annual Base Rent specified in Paragraph 1 hereof. Landlord agrees not to collect from Tenant more than 100% of Expenses on a fully and grossed-up basis in any one calendar year during the Term. Failure of Landlord to provide a Statement within a certain period of time after the end of a calendar year shall not constitute a waiver by Landlord of its rights to payment due pursuant to this Paragraph 4 and the obligations of Tenant hereunder shall survive the expiration or other termination of this Lease.

C. Operating Expenses. "Expenses" shall mean all expenses and costs of operating and maintaining the Building, including, without limitation, the following costs: [a] wages of all employees providing labor and/or services in connection with the Building (including employment taxes and fringe benefits) to the extent of their services in connection with the Building (provided, however, the applicable portion of the cost of salaries of management and executive personnel who perform services in connection with the Building shall not exceed five percent (5%) of the annual Building gross revenue); [b] janitorial labor and materials; [c] electricity, gas, sewer, water, telephone, trash disposal and other utilities including, but not limited to any cable, DSL or WI-FI services, to the extent not directly metered and billed to Tenant by the applicable utility company; [d] maintenance and repairs (including, but not limited to, maintenance and service contracts for HVAC systems, elevators and other mechanical, electrical or plumbing systems); [e] landscaping, parking and service road maintenance and repair; [f] insurance premiums; [g] any and all real estate taxes and/or personal property taxes assessed on the Land and Building and personal property of Landlord therein, including any increases in real estate taxes, and any increases realized when any partial or full tax relief which presently may be afforded to the Building expires, and further including any tax imposed as a substitute for or supplement to presently existing real estate and/or personal property taxes, and including any tax assessed or imposed upon, against or on account of the Rent reserved hereunder, but excluding any tax in the nature of income or similar taxes, or any penalty or interest assessed due to Landlord's late payment of any such taxes; [h] reasonable expenses of Landlord in exercising their judgment in attempting to reduce or limit real estate and/or personal property taxes (any refunds to be credited against such taxes and Expenses in the year received); [i] costs of repairs that extend the life of the Building and costs of capital improvements to the extent necessary to comply with applicable governmental rules and regulations (including, but not limited to, the Americans with Disabilities Act of 1990, as amended), such costs to be amortized over the useful life of said improvements utilizing a 10% discount factor; [j] expense of Building management fees, provided such expense shall not exceed three percent (3%) of total annual Building gross revenue in any calendar year; [k] capital expenses which reduce any component cost of Expenses (such cost to be reasonably amortized by Landlord and Expenses to include only the cost as so amortized by Landlord during the calendar year for which such computation is made); [l] any tax or levy on any Rent imposed by a Federal, State or local governmental body except for taxes in the nature of an income or similar tax; and [m] permit, licensing and inspection fees;

Expenses shall not include: [i] costs of alterations, renovations, improvements or decorations (including permits, licensing and inspection fees) of any other tenant's or occupant's premises or vacant space in the Building (excluding Common Areas); [ii] principal and interest payments or other debt service payments, or, if applicable, ground lease payments, including any payments made on loans secured by the Building; [iii] costs of capital expenditures or capital improvements (except as provided above under inclusions in Expenses); [iv] depreciation of the Building; [v] legal fees, brokerage fees, leasing commissions, advertising costs or other related expenses incurred by Landlord in connection with the leasing of space in the Building; [vi] repairs, alterations, additions, improvements or replacements made to rectify or correct any defect in the original design, materials or workmanship of the Building; [vii] damage and repairs attributable to fire or other casualty; [viii] damage, repairs and other costs necessitated by the negligence or willful misconduct of Landlord or Landlord's employees or agents; [ix] Landlord's general overhead expenses not attributable to the Building; [x] legal fees, accounting fees and other expenses incurred in connection with disputes with tenants or occupants of the Building or associated with tenants or the defense of Landlord's title to or interest in the Building; [xi] costs incurred due to Landlord's violation of any lease in the Building or due to the violation by tenants of the Building of any terms and conditions of their leases; [xii] amortization, debt service, or other payments on loans made by Landlord; [xiii] costs of Landlord's Work in accordance with the terms of the Work Letter Agreement and costs incurred in performing work or furnishing services for individual tenants, which work or services are in excess of work and services provided to such tenants under their respective leases; [xiv] all costs incurred which are subject to reimbursement by other tenants of the Building or other parties, including expenses for repair or replacement paid by proceeds of insurance or condemnation awards; [xv] costs of Building security personnel and materials necessary for the normal operation of such security personnel; [xvi] costs of Tenant's separately metered utilities: [xvii] costs incurred in the investigation, monitoring, abatement, remediation or removal of hazardous materials (unless caused or permitted by Tenant in violation of the terms of this Lease); [xviii] costs recoverable by Landlord pursuant to insurance policies; [xix] costs resulting from Landlord's default under this Lease; [xx] costs resulting from deficiencies in the design, construction or workmanship of Landlord's Work to the extent of any express warranties therefor; [xxi] advertising, legal (except as expressly provided for herein), marketing and promotional expenditures; [xxii] salaries or other compensation paid to asset managers, leasing agents, directors or executive officers of Landlord above the rank of manager or not involved in the day-to-day management of the Building; [xxiii] penalties, fines late payment charges or interest incurred as a result of late payment of any Expenses not caused by Tenant, and violation of any law, by Landlord; [xxiv] reserves; [xxv] costs of goods and /or services supplied by Landlord or by affiliates of Landlord to the extent that the resulting cost of any such goods and/or services exceeds the cost of similar goods and/or services when rendered by unaffiliated third parties on a competitive basis; [xxvi] costs relating to Landlord's acquisition or sale of sculpture, painting or other objects of art; [xxvii] costs of Landlord's charitable and political contributions; and [xxviii] any expenses that Landlord could have avoided by taking advantage of discounts offered by suppliers and vendors or by competitively bidding any of the services by which Expenses are incurred among the available suppliers and vendors. For any applicable year that begins prior to the Commencement

Date or ends after the expiration date of this Lease, the amount of Expenses due for that calendar year shall be apportioned on a per diem basis so that only that portion attributable to the portion of such calendar year that occurs during the Term of this Lease shall be payable by Tenant.

Notwithstanding anything contained in Subparagraphs 4B. and 4C., Landlord agrees that Expenses shall not increase by more than 4% per Rentable square foot per calendar year on a cumulative basis over Tenant's Operating Expense Stop; provided, however, the following Expenses shall not be subject to any such limitation on increases: real estate taxes, property taxes, insurance, snow and ice removal, utilities, and special, non-customary requests by Tenant or its agents or employees for repair and/or replacement of already operational items.

D. Audit of Building Expenses. Within thirty days (30) days after receipt by Tenant of the Statement, Tenant may conduct an audit of Landlord's Building Expense records on a one time per calendar year basis for the immediately preceding calendar year's Expenses only. Tenant and its auditors shall be provided access to Building Expense records for such immediately preceding calendar year upon reasonable advance written notice to Landlord during the regular office hours of NTS Development Company ("NTS"). Tenant shall bear the entire costs of such audit except as provided below. Tenant shall deliver to Landlord a copy of such audit results within five (5) days of receipt by Tenant. No audit shall be conducted at any time during which Tenant is in Default under this Lease. No sub-tenant, assignee or any other person or entity shall have the right to conduct an audit of Landlord's Building Expenses, unless such person or entity unless the Transfer was permitted or consented to by Landlord pursuant to Paragraph 22 of this Lease and is in possession of the Premises for at least part of the calendar year for which Building Expenses are being audited. If the estimated amount of Expenses paid by Tenant for such year exceeds Tenant's Proportionate Share of actual Expenses, Landlord shall apply such excess as a lump sum to the next accruing payment (or, if necessary, payments) of Rent. In the event such audit reflects that the statement has overstated Tenant's Proportionate Share of Expenses for such calendar year by at least 5%, Landlord shall pay reasonable costs of such audit.

E. Janitorial Services. Notwithstanding any other provision of this Lease to the contrary, Tenant shall be responsible for all janitorial and day-porter services to the Premises five (5) evenings per week (Monday through Friday), which shall at a minimum, include the provision of all standard restroom supplies in the Building restrooms (both general usage and private restrooms) and meet the standards set forth on Exhibit F attached hereto and made a part hereof by this reference.

5. USE. Tenant shall use and occupy the Premises only for the Permitted Use, and for no other business or purpose without the prior written consent of the Landlord. Tenant shall not use or occupy the Premises in violation of any applicable law, rule, regulation or ordinance or certificate of use and occupancy issued for the Building, and shall immediately discontinue any use of the Premises which is declared by any governmental authority having jurisdiction to be a violation of law, rule, regulation or ordinance or of said certificate of use and occupancy. As a material consideration to this Lease, Tenant covenants that Tenant shall not permit the Premises to be occupied by any person, firm or corporation other than the Tenant whose name appears on this Lease unless such occupancy is in compliance with the terms of Paragraph 22. of this Lease regarding Transfers. Tenant shall comply with any direction of any governmental

authority having jurisdiction which shall, by reason of the nature of Tenant's use or occupancy of the Premises, impose any duty upon Tenant or Landlord with respect to the Premises or with respect to the use or occupation thereof. Tenant will, at its own cost, promptly comply with and carry out all orders, requirements or conditions now or hereafter imposed upon it by the ordinance, laws and/or regulations of the municipality, county and/or state in which the Premises are located, whether required of Landlord or otherwise, in the conduct of Tenant's business. Tenant will indemnify and hold Landlord harmless from all penalties, claims and demands resulting from Tenant's failure or negligence in this respect. Tenant shall not do or permit to be done anything which will invalidate or increase the cost of any fire, extended coverage or any other insurance policy covering the Building and/or property located therein and shall comply with all rules, orders, regulations and requirements of the Fire Department or Fire Marshall or any other person or organization performing a similar function. Tenant shall promptly upon demand reimburse Landlord as additional rent for any additional premium charged for any such policy by reason of Tenant's failure to comply with the provisions of this Paragraph 5. Tenant shall not cause, maintain or permit any nuisance in, on or about the Building. Tenant shall not commit or suffer to be committed any waste in or upon the Premises. Notwithstanding the foregoing, Tenant shall not be obligated to correct any structural defects in the Building, or to make any capital improvements or structural repairs to the Building unless such improvements or repairs are required by any federal, state or local laws, statutes, ordinances, rules, regulations or requirements as a result of Tenant’s particular use of the Premises.

6. PAYMENTS AND NOTICES.

A. Notice and Address Provisions. All Rent and other sums payable by Tenant to Landlord hereunder shall be paid to Landlord at the address designated by Landlord in Paragraph 1 above or at such other place as Landlord may hereafter designate in writing. Any notice required or permitted to be given hereunder must be in writing and may be served personally or by a national air courier service for next business day delivery, or by United States certified or registered mail, return receipt requested, addressed to Tenant at the Building or to Tenant at its address designated in Paragraph 1; and shall be deemed delivered when personally delivered, within one (1) business day after deposited with a national air courier service or within three (3) business days after deposited in the United States Mail in accordance with the foregoing. Either party may by ten (10) business days prior written notice to the other, specify a different address for notice purposes except that Landlord may in any event use the Premises as Tenant's address for notice purposes. If more than one tenant is named under this Lease, service of any notice upon any one of said tenants shall be deemed as service upon all of said tenants.

B. Payments; Late Charges. Tenant shall pay all Rent and other sums of money as shall become due and payable by Tenant to Landlord in lawful money of the United States of America in the times and the manner provided in this Lease, without demand, deduction, abatement, set-off, counterclaim or prior notice, except as specifically provided for in this Lease. Tenant hereby acknowledges that late payment to Landlord of Rent or other sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount which would be extremely difficult to ascertain. If any Rent or other sum due from Tenant is not received on or before its due date, then Tenant shall pay to Landlord immediately upon Landlord’s demand therefore a service charge equal to the lesser of five (5%) percent of such overdue amount or the fee charged by Landlord’s lender as a late fee on its mortgage loan affecting the Premises, plus any attorneys' fees and costs incurred by Landlord by reason of Tenant's failure to pay Rent and other charges due hereunder. Additionally, all Rent under this Lease shall bear interest from the expiration of any cure period applicable to such payment until paid at the lesser of twelve percent (12%) per annum, the default rate charged to Landlord by its lender under its mortgage loan affecting the Premises, or the maximum non-usurious rate of interest then permitted by the applicable laws of the state in which the Building is located or the United States of America, whichever shall permit the higher nonusurious rate, such interest being in addition to and cumulative of any other rights and remedies which Landlord may have with regard to failure of Tenant to make any such payments under this Lease.

7. BROKERS. Landlord and Tenant each represents and warrants to the other that they have not dealt with any real estate broker or salesperson in connection with the negotiation or execution of this Lease (other than NTS Development Company who represented Landlord and GE/CK and Cushman & Wakefield who represented Tenant). Landlord shall pay to GE/CK a renewal commission equal to Four Hundred Thousand Dollars ($400,000.00), payable within thirty (30) days after the full execution of this Lease by Landlord and Tenant. GE/CK shall be solely responsible for the payment of any co-brokerage fees, including those payable to Cushman & Wakefield, if any. Tenant represents and warrants to Landlord that there are no other brokers', finders' or agents' fees due with respect to this transaction or Tenant's previous attempts to lease or buy space for use as its offices and Tenant shall indemnify and hold harmless Landlord from and against any and all costs, expenses, reasonable attorneys' fees, liability or claims for any compensation, commission or charges claimed by any real estate broker or agent (other than those named above) alleged to have been incurred by Tenant. Landlord represents and warrants to Tenant that there are no other brokers', finders' or agents' fees due with respect to this transaction, and Landlord shall indemnify and hold harmless Tenant from and against any and all costs, expenses, reasonable attorneys' fees, liability or claims for any compensation, commission or charges claimed by any real estate broker or agent (other than those named above) alleged to have been incurred by Landlord.

8. HOLDING OVER. If, without the execution of a new Lease or written extension or written consent of Landlord, Tenant shall hold over after the expiration of the Term, then notwithstanding the provisions of K.R.S. 383.160, Tenant shall be deemed to be occupying the Premises as a Tenant from month to month, which tenancy may be terminated by Landlord at any time upon thirty (30) days written notice to Tenant. No holding over by Tenant after the expiration or termination of this Lease shall be construed to extend or renew the Term or in any other manner be construed as permission by Landlord to holdover. During such hold-over tenancy, Tenant shall: [a] pay to Landlord the greater of: (i) one hundred twenty-five percent (125%) of the Rent payable for the month immediately preceding the commencement of the holding over period computed on a per month basis; or (ii) one hundred twenty-five percent (125%) of the then-current market rent for the Premises or similar premises in the Blankenbaker Industrial Park area in Louisville, Kentucky, unless Landlord notifies Tenant in writing to the contrary; and [b] be bound by all the terms, covenants and conditions as herein specified as far as applicable notwithstanding the foregoing. If Tenant fails to surrender the Premises upon the termination of this Lease, in addition to any other liabilities to Landlord arising there from, Tenant shall indemnify and hold Landlord harmless from loss or liability resulting from such failure, including any claims made by any succeeding tenants founded on such failure.

9. TAXES ON PERSONAL PROPERTY; SALES, USE AND EXCISE TAXES. Tenant shall pay at least ten (10) days before delinquency all taxes, charges or other governmental impositions assessed against or levied upon any of Tenant's personal property, equipment or trade fixtures located in or about the Premises. Tenant shall also pay before delinquency any and all taxes and assessments, license, business, occupation or other taxes, fees or charges levied, assessed or imposed upon Tenant's business operations in the Premises. Tenant shall furnish Landlord upon demand with satisfactory evidence of payment of all such amounts by Tenant.

10. ALTERATIONS AND IMPROVEMENTS; REPAIRS AND MAINTENANCE

A. Acceptance of Premises. Tenant has occupied the Premises continually under the BBCIA Lease and the BBCIB Lease and has had the opportunity to completely inspect the Premises and accepts the Premises and the Building in its "AS IS, WHERE IS" and with all faults in their condition as of the Commencement Date, subject to the specific terms and requirements of this Lease and the Work Letter Agreement. Except as expressly provided in this Lease or in the Work Letter Agreement, Landlord shall have no obligation to furnish, equip or improve the Premises or the Building. Upon the Commencement Date, Tenant's occupancy of the Premises and the Building shall be conclusive evidence that Tenant accepts the Premises and the Building as being suitable for its intended purpose and in good and satisfactory condition, acknowledges that the Premises and the Building comply fully with Landlord's covenants and obligations under this Lease, except as expressly provided herein or in the Work Letter Agreement, and waives any defects in the Premises and/or the Building except as expressly provided in this Lease.

B. Improvements and Alterations. Tenant shall not make or allow to be made (except as otherwise provided in this Lease or in the Work Letter Agreement) any improvements, alterations or physical additions in or to the Premises or the Building ("Alterations") without first obtaining the prior written consent of Landlord, including Landlord written approval of Tenant's contractor(s) and of the plans, working drawings and specifications relating thereto; provided, however, Tenant may make non-structural Alterations to the Premises without Landlord's consent unless such Alteration involves the HVAC system, the electrical system or the telephone and telecommunication systems in the Building (except that Landlord's consent shall not be required for minor adjustments or additions to such systems which do not increase capacity or decrease efficiency or cause an increase in our insurance rates or our liability under the National Electric Code), or is for Alterations costing in excess of $10,000.00 in the aggregate. Landlord agrees to notify Tenant of its approval or disapproval of such plans for Alterations within ten (10) business days of receipt of Tenant's plans. Any disapproval notice shall include Landlord's suggestions for changes to such plans. Approval by Landlord of any of Tenant's drawings, plans and specifications prepared in connection with any alterations, improvements, modifications or additions to the Premises or the Building which require Landlord's consent shall not constitute a representation or warranty of Landlord as to the adequacy or sufficiency of such drawings, plans and specifications, or alterations, improvements, modifications or additions to which they relate, for any use, purpose or condition, but such approval shall merely be the consent of Landlord as required hereunder. Except as otherwise expressly provided in the Work Letter Agreement, any and all furnishing, equipping and improving of, or other Alteration and addition to the Premises and/or the Building shall be: (i) made at Tenant's sole risk, cost and expense; (ii) performed in a prompt, good and workman-like manner using materials of similar quality to materials used in the Tenant Finish or otherwise existing in the Building; (iii) constructed in accordance with all plans and specifications approved in writing by Landlord, if required, prior to the commencement of any such work; (iv) prosecuted diligently and continuously to completion so as to minimize interference with the performance of Landlord's obligations under this Lease or any mortgage or ground lease covering or affecting all or any part of the Building or the Land and any work being done by contractors engaged by Landlord with respect to or in connection with the Building; and (v) performed by contractors approved in writing by Landlord. Tenant shall notify Landlord upon completion of such alterations, improvements, modifications or additions and Landlord may inspect same for workmanship and compliance with the approved plans and specifications, if any. With respect to any Alteration which requires Landlord's consent hereunder, Tenant and its contractor shall comply with all reasonable requirements Landlord may impose on Tenant or its contractor with respect to such work (including, but not limited to, insurance, indemnity and bonding requirements), and shall deliver to Landlord a complete copy of the "As-Built" or final plans and specifications for all Alterations or physical additions so made in or to the Premises and/or the Building within sixty (60) days after completing the work. Tenant shall not place safes, vaults, filing cabinets and systems, libraries or other excessively heavy furniture or equipment on the second floor of the Building without Landlord's prior written consent.

C. Title to Alterations. All alterations, physical additions, modifications or improvements in or to the Premises (including fixtures, other than trade fixtures) shall, when made, become the property of Landlord and shall be surrendered to Landlord upon termination or expiration of this Lease or termination of Tenant's right to occupy the Premises, whether by lapse of time or otherwise, without any payment, reimbursement or compensation therefore; provided, however, that (i) Tenant shall retain title to and shall remove from the Premises movable equipment, furniture or trade fixtures owned by Tenant; and (ii) Tenant shall repair any damage caused by removal of same. The rights conferred to Landlord under this Section 10(C.) shall be in addition to (and not in conflict with) any other rights conferred on Landlord by this Lease, in equity or at law.

D. Repairs by Landlord. Landlord shall operate, maintain and repair the Building (and make such capital improvements and replacements to the Building) in a manner consistent with the condition to which the Building is renovated by Landlord's Work and Tenant's Work when such Work is completed as contemplated by this Lease and the Work Letter Agreement, from and after the date of completion of such Work, reasonable wear and tear excepted, and except for items which are damaged due to the negligence or willful misconduct of Tenant, its agents, contractors, employees, licensees, contractors or invitees; and shall repair all damage to the Building and the Premises, reasonable wear and tear excepted, and unless caused by the negligence or willful misconduct of Tenant, its agents, contractors, employees, licensees or invitees. Except as provided in Section 10.E. below, Landlord is also obligated to perform all other maintenance and repairs necessary or appropriate to cause the Premises to be maintained in good condition (reasonable wear and tear excepted) and in compliance with all applicable laws, rules, regulations and ordinances. All expenses in connection with the operation and maintenance of the Building pursuant to this Paragraph 10 shall be part of the Building's Expenses, including but not limited to those items listed below, unless otherwise indicated below or unless specifically excluded from Expenses pursuant to Paragraph 4C. hereof:

(i) Landlord agrees that following the Commencement Date, they shall replace, at their cost, any HVAC units or HVAC items which are either ten (10) years old or older, become defective, or are incapable of repair during the Term of the Lease, except for any supplemental HVAC units installed by Tenant and any HVAC units serving the kitchen area of the cafeteria located in the Premises. Landlord's obligations to replace such HVAC units or HVAC items shall commence on or after the Commencement Date with the initial repair and replacement of the HVAC units complete within sixty (60) days after the Commencement Date, and such replacement shall be affected by Landlord as necessary in accordance with above-stated standards. Also, effective as of the Commencement Date, Landlord shall be responsible for maintenance and repair of the HVAC system except for any supplemental HVAC units installed by Tenant and any HVAC units serving the kitchen area of the cafeteria, such costs to be included as part of Building Expenses;

(ii) Landlord shall use its best efforts (without incurring additional costs to Landlord) to assist Tenant in achieving any electrical cost reductions under available programs;

(iii) Effective as of the Commencement Date, Landlord shall be responsible for all repairs and maintenance to all elevators in the Building, with such costs to be included in Expenses for the Building;

(iv) All entrances to the Building contain after-hours primary card readers which shall be maintained and repaired by Landlord, such costs to be included in Expenses; and

(v) In order to effectuate Landlord's required maintenance and repairs for the Building, Landlord shall have an on-site maintenance employee for the Building for an eight (8) hour workday (7:30 a.m. - 4:00 p.m.), Monday through Friday, excluding Holidays (as such term is defined herein), as well as a twenty-four hour maintenance response line and "on-call" maintenance personnel for maintenance calls for the Building.

E. Repairs by Tenant. Subject to the provisions of Paragraph 10.D. above, Tenant shall be responsible, at its own cost and expense, for all repair or maintenance of any damage to Tenant's equipment and trade fixtures in the Premises, together with any damage to the Premises or the Building (or any part thereof) caused by Tenant or any of Tenant's employees, contractors, agents, invitees or licensees. Tenant or its agents, contractors or vendors shall also be responsible for, and shall pay all costs associated with operating, maintaining and repairing any and all equipment, furniture, fixtures, furnishings and improvements located or used in connection with the cafeteria/kitchen located in the Premises.

11. LANDLORD'S RESERVED RIGHTS. Landlord reserves the following rights: [a] to change the street address of the Building if required to do so by any governmental agency upon giving prior written notice thereof to Tenant; [b] to have signage on, or to change, the freestanding entrance sign; [c] to designate and control all sources furnishing Building-related services to Tenant and the other tenants (except for security services and janitorial services); [d]

during the final twelve (12) months of the Term to display "for rent" or “for sale” signs on and exhibit and otherwise prepare the Premises for reoccupancy; [e] to have Tenant provide access to any areas of the Premises if Tenant has requested maintenance or repairs to be done to such areas; [f] during the last year of the Term to exhibit the Premises to prospective lessees; [g] to take any and all measures necessary or reasonable for the operation, safety, protection or preservation of the Building, whether structural or otherwise, in and about the Building or any part thereof after prior notice to Tenant (provided that in an emergency, no such notice shall be required), and during the continuance of any such work to temporarily close doors, entryways, public spaces and corridors in the Building and to reasonably interrupt or temporarily suspend Building services or facilities, provided that Landlord shall, if practicable (and unless due to an emergency), cause such closure, interruption or suspension to occur outside of Tenant’s normal business hours; and [h] to install an energy management system to more accurately monitor and control heat, ventilating and air conditioning in the Building. Landlord may enter upon the Premises and may exercise any or all of the foregoing rights without being deemed guilty of an eviction (actual or constructive) or disturbance of Tenant's use or possession and without being liable in any manner to Tenant and without affecting Tenant's obligations hereunder, provided that Landlord is not negligent in the exercise of such rights.

12. MECHANICS LIENS. No mechanic's or other lien shall be allowed to be filed against the estate of Landlord by reason of any work performed by Tenant pursuant to this Lease or by reason of any consent given by Landlord to Tenant to improve the Premises. Tenant shall pay promptly all persons furnishing labor or materials with respect to any work performed by Tenant and/or its contractor(s) on or about the Premises. In the event any mechanic's or other lien shall at any time be filed against the Premises, Building and/or Land by reason of work, labor, services or materials performed or furnished, or alleged to have been performed or furnished, to Tenant or to any one holding the Premises through or under Tenant, Tenant shall, within fourteen (14) days of the notice of filing thereof to Tenant, cause the same to be discharged of record or appropriately bonded to the reasonable satisfaction of Landlord. If Tenant shall fail to cause such lien to be so discharged or bonded after being notified of the filing thereof, then, in addition to any other right or remedy of Landlord, Landlord may bond or discharge the same by paying the amount claimed to be due, and the amount so paid by Landlord, including reasonable attorney's fees incurred by Landlord either defending against such lien or in procuring the discharge of such lien, together with interest thereon at the maximum rate of twelve percent (12%) per annum, shall be due and payable by Tenant to Landlord as Rent. Tenant shall have no power or authority to do any act or make any contract which may create or be the foundation for any lien, mortgage or other encumbrance upon the reversion or other estate of Landlord, or of any interest in the Building or the Land.

13. ENTRY BY LANDLORD. Landlord reserves and shall at any and all times have, the right to enter the Building to inspect the same, to supply any service to be provided by Landlord to Tenant hereunder, to show the Premises to prospective purchasers or lenders as allowed under Section 11 hereof, to post notices of nonresponsibility, to alter, improve or repair the Premises or any other portion of the Building in accordance with the terms of this Lease, all without being deemed guilty of any eviction of Tenant and without abatement of rent and may, in order to carry out such purposes, erect scaffolding and other necessary structures where reasonably required by the character of the work to be performed, provided that the business of Tenant shall be interfered with as little as is reasonably practicable. To the extent necessary to

carry out each of the aforesaid purposes, Landlord shall at all times be granted access to all of the doors in, upon and about the Premises, excluding Tenant's vaults and safes, and Landlord shall have the right to use any and all means which Landlord may deem proper to open said doors in an emergency in order to obtain entry to the Premises, and any entry to the Premises obtained by Landlord by any of said means, or otherwise, shall not under any circumstances be construed or deemed to be a forcible or unlawful entry into, or a detainer of, the Premises, or an eviction of Tenant from the Premises or any portion thereof, and any damages caused on account thereof shall be paid by Tenant. Tenant hereby waives any claim for damages for any injury or inconvenience to or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Premises, and any other loss occasioned thereby. It is understood and agreed that no provision of this Lease shall be construed as obligating Landlord to perform any repairs, alterations or decorations except as otherwise expressly agreed herein to be performed by Landlord. Tenant shall not change the locks on the entries to the Premises without first obtaining the written consent of Landlord, and in such event Tenant's new locks shall be tied into the master locking system for the Building.

14. UTILITIES AND SERVICES; TELECOMMUNICATIONS SERVICE PROVIDERS.

A. Utilities and Services. Landlord shall furnish the following utilities and services during reasonable hours of generally recognized business days, subject to the conditions and in accordance with the standards set forth in writing by Landlord from time to time during the Term and delivered to Tenant: (i) water for lavatory and drinking purposes; (ii) snow removal service; and (iii) elevator service. All other utilities and services shall be provided to the Building by utility and service providers chosen by and under contract directly with Tenant (except that Landlord shall have to approve any such providers of service to the Building) and shall be separately metered to and/or paid for solely by Tenant directly to the applicable utility company or service provider, including, but not limited to, electricity, gas, janitorial service, trash disposal and telecommunications service and security service (but excluding water, snow removal and elevator service which shall be paid by Landlord and shall be included in the Expenses for the Building). Tenant’s janitorial service provider shall provide at a minimum the services set forth as the Janitorial and Carpet Maintenance specifications listed on Exhibit F attached hereto. Landlord shall not impose a fee if Tenant elects to sell its waste paper and other recyclable materials. Any and all security guard services required by Tenant shall be arranged for by Tenant at Tenant’s sole cost and expense. The Tenant shall notify Landlord of the name and contact information for the security service in case of emergency.

B. Interruption of Services. In no event shall Landlord be liable to Tenant for any loss, cost, expense or damage incurred due to any interruption or failure of any services or utilities, to be provided by Landlord, if such interruption is beyond the reasonable control of Landlord, nor shall Tenant be entitled to any deductions, abatement or set-off of Rent. Tenant shall obtain and maintain, at its sole expense, business interruption insurance in reasonable amounts to provide coverage for a period of at least twelve (12) months for any such interruption in utilities or services during the Term of this Lease.

C. Telecommunications Service Providers. In the event that Tenant wishes to utilize the service of a telephone or telecommunications service provider (“Provider”) whose equipment is not servicing the Building as of the date of Tenant's execution of this Lease or the completion of Tenant's Work, no such Provider shall be permitted to install its wires or other equipment within the Building unless Tenant has first secured the prior written consent of Landlord which consent shall not be unreasonably withheld, conditioned, denied or delayed.

(i) Requirements for Landlord's Consent. Until Landlord determines, in its sole discretion, that all of the following requirements have been satisfied, Landlord shall not be required to grant their consent to permit Provider to install its wires and other equipment within the Building:

(a) Telecommunications Agreement. Provider has executed a form of telecommunications service agreement, reasonably acceptable to Landlord.

(b) No Expense. Tenant and Provider have agreed that Landlord shall incur no expense whatsoever with respect to any aspect of Provider's provision of its services, including, without limitation, the costs of installation or removal of equipment or wiring, materials or service. Notwithstanding the foregoing, Tenant has agreed to fully reimburse Landlord, or to cause Provider to fully reimburse Landlord, on demand, for any expenses Landlord incurs relating to any aspect of Provider's provision of its devices, including, without the costs of reviewing Provider's plans, the costs (including attorney's fees and expenses) of negotiating the telecommunications service agreement between Landlord and Provider, and any other costs incurred by Landlord with respect to Provider or its installation, including any cost of removal of such wiring and equipment at the end of the Term of this Lease;

(c) Financial Statements and Other Items. Provider has agreed to comply with the insurance provisions of this Lease, and has supplied Landlord with such written indemnities, insurance verifications, financial statements, and such other items as Landlord has requested to protect its financial interests and the interest of the Building relating to the proposed activated of Provider;

(d) Building Rules. Provider has agreed to abide by such rules and regulations, job site rules, and such other requirements as determined by Landlord, in its sole discretion, to protect the interest of the Building, Landlord, and other tenants (if any) in the Building;

(e) Sufficient Space. Landlord has determined, in its sole discretion, that there is sufficient space in the Building for the placement of all of Provider's wiring and equipment, and Provider has agreed that all of its equipment shall be located within the Premises;

(f) Provider's Good Standing. Provider has provided Landlord with proof that Provider is duly licensed and reputable;

(g) Compensation for Wiring Space. Provider has agreed to compensate Landlord the amount determined by Landlord for all of the space used in the Building outside the Premises for Provider's wiring, and for all costs that may be incurred by Landlord in arranging for access by Provider's personnel; security for Provider's equipment; and any other such costs as Landlord may expect to incur; and

(h) Services to Other Tenants. Provider has agreed not to utilize the wiring and/or equipment installed in the Building to provide any services to any tenants or occupants of the Building, other than Tenant, or to any other properties other than the Building.

(ii) Consent Is Not Landlord's Warranty. Landlord's consent under this Section 14 shall not be deemed to be any kind of warranty or representation by Landlord, including, without limitation, any warranty or representation as to the suitability, competence, or financial strength of Provider.

(iii) No Third-Party Rights. The provisions of this Paragraph 14 may be enforced solely by Tenant and Landlord, and are not for the benefit of any other party, specifically, without limitation, no telephone or telecommunications provider shall be deemed a third-party beneficiary of this Lease.

(iv) Tenant Pays Expenses. All telephone and telecommunications services desired by Tenant shall be ordered and utilized at the sole expense and risk of Tenant.

(v) Tenant Responsible for Service Interruptions. To the extent that service by Provider is interrupted, curtailed, or discontinued, Landlord shall have no obligation or liability whatsoever with respect thereto. Additionally, such interruption, curtailment, or discontinuance of service shall not:

(a) Constitute an actual of constructive eviction of tenant, in whole or in part;

(b) Entitle Tenant to any abatement, set-off or diminution of rent;

(c) Relieve or release Tenant from any of its obligations under this Lease; or

(d) Entitle Tenant to terminate this Lease, and Tenant shall have the sole obligation, at its own expense, to obtain substitute service.

15. <u>INDEMNIFICATION</u>. Tenant shall defend, indemnify and hold harmless Landlord, its respective agents, employees, officers, directors, partners, shareholders and members ("Landlord's Related Parties") from and against any and all liabilities, judgments, demands, causes of action, claims, losses, damages, costs and expenses, including reasonable attorneys' fees and costs arising from: (i) Tenant's use, occupancy, conduct or operation of the Premises or the conduct of its business, or from any activity, work, or thing done, permitted or suffered by Tenant in or about the Premises; (ii) any breach or default in the performance of any obligation on Tenant's part to be performed under the terms of this Lease; (iii) any act, neglect, fault or omission of Tenant, or of any of its officers, contractors, agents, servants, employees, guests, invitees or visitors, in or about the Building, Premises or Land; or (iv) any accident,

injury or damage occurring in, on or about the Premises. This indemnification shall survive the expiration or other termination of this Lease. This provision shall not be construed to make Tenant responsible for any loss, damage, liability or expense caused solely by the negligence or willful misconduct of Landlord or Landlord's Related Parties. Notwithstanding the provisions of this Paragraph 15 to the contrary, neither Landlord nor its agents shall be liable for any damage to property entrusted to employees in the Building, nor for loss of or damage to any of Tenant's property by theft or otherwise. Tenant shall give prompt notice to Landlord in case of fire or accidents in the Premises or in the Building or of defects therein.

Landlord shall defend, indemnify and hold harmless Tenant, its agents, employees, officers, directors, partners, shareholders and members ("Tenant's Related Parties") from and against any and all liabilities, judgments, demands, causes of action, claims, losses, damages, costs and expenses, including reasonable attorneys' fees and costs arising from: (i) any breach or default in the performance of any obligation on Landlord's part to be performed under the terms of this Lease; (ii) any act, neglect, fault or omission of Landlord, or any of its officers, contractors, agents, servants, employees or visitors in or about the Building, Premises or Land; and (iii) any accident, injury or damage occurring in, on or about the Land (other than the Premises) and the Common Areas. This indemnification shall survive the expiration or other termination of this Lease. This provision shall not be construed to make Landlord responsible for any loss, damage, liability or expense to the extent caused by the negligence or willful misconduct of Tenant or Tenant's Related Parties.

16. <u>INSURANCE AND WAIVER OF RECOVERY</u>.

A. <u>Tenant's Insurance.</u> Tenant shall at all times during the Term maintain in full force and effect with respect to the Premises and the Building a policy or policies of: (i) comprehensive general liability insurance providing minimum coverage amounts of Two Million Dollars ($2,000,000.00) for bodily injury, including death for any one occurrence, One Million Dollars ($1,000,00.00) for property damage and Two Million ($2,000,000.00) combined single limit, (ii) "All-Risk" insurance providing for full replacement value on the Tenant's personal property, trade fixtures and equipment in the Building, (iii) worker's compensation and employer's liability insurance in form and amount satisfactory to Landlord, (iv) business interruption and rent insurance in such amounts as will reimburse Tenant for direct or indirect loss of earnings attributable to the perils commonly insured against by prudent tenants and sufficient to continue to pay rent and all other payments to Landlord for a period of twelve (12) months, (v) insurance against acts of terrorism, provided that such coverage is commercially available at commercially reasonable premiums. The annual premium for terrorism insurance shall be commercially reasonable if it is less than or equal to one hundred percent (100%) of the then-annual cost of the "all-risk" insurance policy required in Subsection (ii) above; and (vi) such other coverages as may be reasonably required by Landlord or any mortgagee of the Land or Building, each in the standard form generally in use in the state in which the Premises are located from a company or companies satisfactory to Landlord. The amount of such insurance coverages shall be subject to increase upon the reasonable request of Landlord. Such insurance shall be subject to modification, cancellation or nonrenewal only upon thirty (30) days notice to Landlord and any mortgagee of the Land or Building. Tenant, at or prior to the Commencement Date, and thereafter not less than thirty (30) days prior to the expiration of any such policy, shall furnish Landlord with a certificate of insurance of such coverage with a paid statement for the premium due, such certificate to be in a form acceptable to Landlord and any mortgagee of the Land or Building and naming Landlord, Landlord's managing agent and any such mortgagee as additional insureds as their interests may appear (or in the case of a mortgagee, by means of a standard mortgagee endorsement) and shall specifically make reference to the indemnification obligations of Tenant under this Lease. All insurance policies obtained by Tenant shall be written as primary policies and not contradicting with or in excess of coverage which Landlord may carry, if any.

B. Waiver of Subrogation. Landlord and Tenant hereby mutually waive any and all rights of recovery, claims, actions or causes of action arising in any manner in its (the "Injured Party's") favor against the other party for real or personal property loss or damage occurring to the Premises or to the Building or any part thereof or any personal property located therein, to the extent the loss or damage is covered by the Injured Party's insurance, or would have been covered by the insurance the Injured Party is required to carry under this Lease. Landlord and Tenant shall be obligated to obtain consents from their insurance carriers to a waiver of all rights of subrogation against each other by inclusion of such a clause in their respective policies or by endorsements thereto to the extent permitted by the laws and regulations governing insurance in the state in which the Building is located.

C. Landlord's Insurance. Landlord shall, throughout the Term, maintain "All-Risk" insurance on the Building (excluding any personal property, trade fixtures or equipment owned or used by Tenant with respect to which Tenant is obliged to maintain insurance pursuant to the provisions of Subparagraph 16A. above) providing for the full replacement value thereof. Landlord shall also, throughout the Term, maintain general commercial liability insurance providing minimum coverage amounts of Two Million Dollars ($2,000,000.00) for bodily injury, including death for any one occurrence, One Million Dollars ($1,000,00.00) for property damage and Two Million ($2,000,000.00) combined single limit covering the Land (other than the Premises) and the Common Areas. Landlord shall also maintain worker's compensation and employer's liability insurance for any employees of Landlord which may be used to carry out any of Landlord's responsibilities hereunder. Landlord may also, but shall not be obligated to, take out and carry any other form or forms of insurance as it or the mortgagees of Landlord may reasonably determine advisable. Notwithstanding any contribution by Tenant to the cost of insurance premiums, as provided for herein, Tenant acknowledges that it has no right to receive any proceeds from any such insurance policies carried by Landlord. Landlord will not carry insurance of any kind on Tenant's furniture or furnishings, or any fixtures, equipment, improvements or appurtenances of Tenant under this Lease; and Landlord shall not be obligated to repair any damage thereto or replace the same. Upon written request of Tenant, but no more than once per Lease Year, Landlord shall furnish to Tenant a certificate of insurance evidencing such insurance as Landlord may carry with a paid statement for the premium due. Landlord's insurance coverage required hereunder shall comply with the terms of Section 16.A. hereof.

17. DAMAGE OR DESTRUCTION.

A. Landlord's Duty to Repair and Restore. If all or a substantial part of the Premises is rendered untenantable or inaccessible by damage to all or any part of the Building from fire, the elements, accident or other casualty (collectively, "Casualty") then, unless either party is entitled, and elects, to terminate this Lease pursuant to Subparagraphs B. and C. hereof, Landlord shall, at its expense, use reasonable efforts to repair and restore the Premises and/or the Building, as the case may be, to substantially their former condition to the extent permitted by then-applicable laws; provided, however, that in no event shall Landlord have any obligation: (i) to make repairs or restoration beyond the extent of insurance proceeds received by Landlord for such repairs or restoration; (ii) to repair or restore any of Tenant's personal property, trade fixtures, equipment, alterations or improvements (except to the extent the same is included in Landlord's Work hereunder or to the extent Landlord receives the proceeds of any insurance therefor; or (iii) to repair or restore the Premises and/or the Building if such Casualty resulted from the negligence or willful act of Tenant, its employees, officers, agents, licensees, guests or visitors ("Tenant Parties") unless Tenant shall be liable to Landlord for the cost and expense of such repairs and restoration or unless Landlord receives the proceeds of any insurance covering such costs.

If Landlord is required to repair damage to the Premises and/or the Building: (i) this Lease shall continue in full force and effect but Tenant's Annual Base Rent from the date of the Casualty through the date of substantial completion of the repair shall be abated with regard to any portion of the Premises that Tenant is prevented from using by reason of such damage or its repair, unless such Casualty resulted from the negligence or willful act of Tenant or Tenant Parties; and (ii) in no event shall Landlord by liable to Tenant by reason of any injury to or interference with Tenant's business or property arising from a Casualty or by reason of any repairs to any part of the Building necessitated by the Casualty.

B. <u>Landlord's and Tenant's Right to Terminate</u>. Landlord or Tenant may elect to terminate this Lease following damage caused by any Casualty under the following circumstances: (i) if, in Landlord's reasonable judgment, the Premises and the Building cannot be substantially repaired and restored under applicable laws within two hundred seventy (270) days from the date of the Casualty; or (ii) if adequate proceeds are not, for any reason, made available to Landlord from Landlord's insurance policies to make the required repairs. Landlord only, and not Tenant, may elect to terminate this Lease following damage caused by any Casualty under the following circumstances: (a) if thirty percent (30%) or more of the Premises is damaged or destroyed (including, without limitation, by smoke or water damage); (b) if thirty percent (30%) or more of the Building is damaged or destroyed (including, without limitation, by smoke or water damage); (c) if the Building is damaged or destroyed (including, without limitation, by smoke or water damage) to the extent that, in Landlord's sole judgment, the cost to repair and/or restore the Building would exceed twenty-five (25%) percent of the full replacement cost of the Building; or (d) if the Casualty occurs during the last twenty-four (24) months of the Term (provided that if such Casualty occurs during the last twenty-four (24) months of the Term and Tenant pays to Landlord, on demand, the unamortized costs of all Tenant Finish or other improvements made to the Building or Premises by Landlord, or made at Landlord's expense, plus a penalty equal to twenty percent (20%) of the Annual Base Rent which would be due for the remainder of the Term if the Lease were not terminated, Tenant may elect to terminate this Lease).

C. <u>Notice</u>. If any of the circumstances described in Subparagraph B. above occur or arise, Landlord shall notify Tenant in writing of that fact within 120 days after the date of the Casualty and in such notice Landlord shall also advise Tenant whether Landlord has elected to terminate this Lease as provided in Subparagraph B. hereof.

D. Waiver. Tenant hereby waives the provisions of any applicable statutory or common law permitting the termination of a lease agreement in the event of damage to, or destruction of, any part or all of the Premises and/or the Building by a Tenant.

18. EMINENT DOMAIN. If the whole of the Building (or the real property upon which it is located) or the whole of the Premises shall be taken by the exercise of the power of eminent domain or pursuant to any agreement in lieu of the exercise of such power (hereinafter called a "Condemnation Proceeding"), then this Lease shall terminate as of the date of the taking of possession by the condemning authority (such date being hereinafter called the "Taking Date"). If less than the whole of the Building (or the real property upon which it is located) or less than the whole of the Premises shall be taken in a Condemnation Proceeding, Tenant may at its option terminate this Lease as of the Taking Date by giving notice of its exercise of such option within sixty (60) days after the Taking Date, provided that as a result of such taking the Premises (or the remaining portion thereof) in the reasonable opinion of Landlord or Tenant may no longer be adequately used for the Permitted Use. If a portion of the Premises shall be taken and Tenant shall not exercise its option to terminate this Lease or if such taking shall not give rise to such option to terminate, then this Lease shall terminate on the Taking Date only as to that portion of the Premises so taken but shall remain in full force and effect with respect to that portion of the Premises not so taken, and the Rent and other charges payable by Tenant hereunder shall be reduced in the ratio in which the diminution of the rentable square footage of the Premises following the Taking Date shall bear to the rentable square footage thereof immediately prior to such Taking Date. All income, rent, awards or interest derived from any Condemnation Proceeding shall belong to and be the property of Landlord, but this shall not preclude Tenant from making a claim in such Condemnation Proceeding for the taking of Tenant's personal property and fixtures, for Tenant’s moving expenses and for the value of Tenant’s leasehold improvements to the extent directly paid for by Tenant to a third-party contractor without credit or reimbursement from Landlord.

19. FORCE MAJEURE. Neither Landlord nor Tenant shall be required to perform any term provision, condition or covenant in this Lease (other than the obligation of Tenant to pay Rent as provided herein) so long as such performance is delayed or prevented by “Force Majeure”. “Force Majeure” shall mean acts of God, strikes, injunctions, lock-outs, material or labor restrictions by any government or authority, civil rights, floods, fire, theft, public enemy, insurrection, war, terrorist act, court order, requisition or order of governmental body or authority and any other cause not reasonably within the control of Landlord or Tenant, as applicable, and which by the exercise of due diligence by Landlord or Tenant, as applicable, is unable, wholly or in part to prevent or overcome. Neither Landlord nor any mortgagee shall be responsible to Tenant for any loss or damage to any property or person occasioned by any Force Majeure or for any damage or inconvenience which may arise through repair or alteration of any part of the Building as a result of any Force Majeure.

20. DEFAULTS AND REMEDIES; BANKRUPTCY.

A. Defaults. The occurrence of any one or more of the following events shall constitute a default by Tenant under this Lease ("Default");

(i) if Tenant shall fail to pay any installment of Rent or any other sum required to be paid by Tenant under this Lease and such failure shall continue for ten (10) days after payment thereof is due; or

(ii) if Tenant shall default in the observance or performance of any of the other covenants or conditions in this Lease to be performed by Tenant (including any of the Rules and Regulations now or hereafter established to govern the Building) and such default shall continue for thirty (30) days after written notice to Tenant, or if such default is of a nature that it cannot be cured within thirty (30) days, if Tenant shall fail to commence to cure such default within such thirty (30) day period or to diligently pursue such cure;

Provided, however, that if Tenant shall default with respect to such payments or observances or performances more than twice in any six (6) month period within the Term, then no notice of any further default with respect to such matters within such period shall be required hereunder; or

(iii) if a default involves a hazardous condition or an event which in Landlord's judgment is materially detrimental to the Building and within the control of Tenant, and is not cured by Tenant immediately upon written notice to Tenant; or

(iv) if the interest of Tenant in this Lease shall be levied upon under execution or other legal process; or

(v) if any voluntary petition in bankruptcy or for corporate reorganization or any similar relief shall be filed by Tenant, or if any involuntary petition in bankruptcy shall be filed against Tenant under any federal or state bankruptcy or insolvency act and shall not have been dismissed within sixty (60) days following the filing thereof, or if a receiver or trustee shall be appointed for Tenant or any of the property of Tenant by any court and such receiver shall not be dismissed within sixty (60) days from the date of appointment, or if Tenant shall make an assignment for the benefit of creditors, or if Tenant shall admit in writing its inability to meet its debts as they mature; or

(vi) if Tenant shall abandon or vacate the Premises or any substantial portion thereof, or if the Premises or any substantial portion thereof are vacant for more than thirty (30) days during the Term.

B. Remedies. Landlord may treat the occurrence of any one or more of the foregoing Defaults as a breach of this Lease and thereupon at its option may, without further notice or demand except as specifically provided for herein, exercise any one or more of the following described remedies, in addition to all other rights and remedies provided at law or in equity:

(i) Landlord may continue this Lease in full force and effect, and this Lease shall continue in full force and effect as long as Landlord does not terminate this Lease, and Landlord shall have the right to collect all Rent and other charges hereunder when due; and/or

(ii) Landlord shall have the right at any time thereafter to give written notice of termination to Tenant and on the termination date specified in such notice (which shall not be less than ten (10) days after the giving of such notice), unless the Default is cured on or before such termination date, this Lease shall terminate and come to an end as fully and completely as if such date were the day herein definitely fixed for the expiration of this Lease, and Tenant shall remain liable as hereinafter set forth. In the event of any such termination of this Lease, Landlord may then or at any time thereafter, re-enter the Premises as set forth hereafter. If this Lease is so terminated, then Tenant shall pay Landlord on demand: (a) the amount of all past due Rent and other losses and damages which Landlord may suffer as a direct result of Tenant's default; (b) the amount of any unamortized improvements to the Building and/or the Premises paid for by Landlord; (c) the amount of any unamortized brokerage commissions or other costs paid by Landlord in connection with this Lease; and (d) a sum equal to the amount by which (if any): (x) the present value of the total Rent and other benefits which would have accrued to Landlord under this Lease for the remainder of the Term, if the terms of this Lease had been fully complied with by Tenant, discounted at eight percent (8%) per annum, exceeds (y) the total fair market value of the Premises for the balance of the Term. In the event Landlord shall elect to terminate this Lease, Landlord shall have all the rights of free entry upon the Premises, without becoming liable for damages or being guilty of trespass; and/or

(iii) Landlord shall have the right, upon not less than ten (10) days prior written notice given in accordance with applicable law, unless the Default is cured within such ten (10) day period, to re-enter and repossess the Premises by forcible entry or unlawful detainer suit or other judicial process in compliance with applicable law, and remove all persons and property (including, without limitation, Tenant and Tenant's property) therefrom, without terminating this Lease, in which event Landlord shall be obligated to use commercially reasonable efforts to re-let the Premises for the account of Tenant, for such rent and upon such terms as shall be reasonably satisfactory to Landlord. If Landlord re-enters and re-lets as provided herein, then such re-entry or re-letting shall not be construed as a termination of this Lease (unless Landlord has given written notice to Tenant of termination of this Lease pursuant to subsection (ii) above), and Tenant shall be liable to Landlord and shall pay to Landlord all Rent and other amounts due and payable by Tenant under the terms of this Lease (reduced by any sums received by Landlord through any re-letting of the Premises); provided, in no event shall Tenant be entitled to any excess of sums obtained by Landlord by re-letting over and above the Rent provided in this Lease to be paid by Tenant to Landlord. If Landlord shall fail to re-let the Premises after using commercially reasonable efforts to do so, Tenant shall remain liable for monthly Rent as the same comes due under this Lease, or, in lieu thereof, at Landlord's sole option, Tenant shall pay to Landlord, upon demand, a sum equal to the then due amounts described in clauses (a) through (d) in subsection (ii) above. Landlord shall have the right to make such alterations and repairs to the Premises that they may deem necessary in their commercially reasonable discretion to procure a replacement tenant for the Premises. Tenant shall also pay to Landlord as soon as ascertained, any reasonable costs and expenses incurred by Landlord in such re-letting or in making such alterations and repairs not covered by the rentals received from such re-letting. Landlord may file suit from time to time to recover such sums falling due and no suit or recovery of any portion due Landlord hereunder shall be any defense to any subsequent action brought for any amount not previously reduced to judgment in favor of Landlord. Notwithstanding any such re-entry and/or re-letting without termination, Landlord may at any time thereafter elect to terminate this Lease and/or exercise any of its rights pursuant to Subparagraph 20B of this Lease.

(iv) Landlord may enter upon the Premises and do whatever Tenant is obligated to do under the terms of this Lease and Tenant agrees to reimburse Landlord on demand for any expenses which Landlord may incur in affecting compliance with Tenant's obligation under this Lease plus fifteen percent (15%) of such cost to cover overhead, plus interest at the past due rate provided in Paragraph 6.B. of this Lease, and Tenant further agrees that Landlord shall not be liable for any damages resulting to Tenant from such action. No action taken by Landlord under this Subparagraph 20.B.(iv) shall relieve Tenant from of its obligations under this Lease or from any consequences or liabilities arising from the failure to perform such obligations;

(v) Without waiving such Default, apply all or any part of the Security Deposit and/or any unapplied prepaid rent to secure the Default or to any damages suffered as a result of the default to the extent of the amount of damages suffered. Tenant shall reimburse Landlord for the amount of such depletion of the Security Deposit and/or any prepaid rent on demand;

(vi) Change all door locks and other security devices of the Tenant at the Premises and/or the Building, and Landlord shall not be required to provide new keys to the Tenant except during Tenant's regular business hours, and only upon the condition that Tenant has secured any and all Defaults hereunder, and in the case where Tenant owes Rent to the Landlord, reimbursed Landlord for all Rent and other sums due Landlord hereunder. Landlord, on terms and conditions satisfactory to Landlord in its sole discretion, may upon request from Tenant's employees, enter the Premises for the purpose of retrieving therefrom personal property of such employees, provided, Landlord shall have no obligation to do so; and/or

(vii) Exercise any and all other remedies available to Landlord under this Lease, at law or in equity.

Landlord agrees that it shall use reasonable efforts to mitigate the damages caused by Tenant's default under this Lease, if required to do so by applicable law.

C. Re-entry. If Tenant fails to allow Landlord to re-enter and repossess the Premises, Landlord shall have full and free license to enter into and upon the Premises with or without process of law for the purpose of repossessing the Premises, expelling or removing the Tenant and any others who may be occupying or otherwise within the Premises, removing any and all property there from and changing all door locks to the Premises. Landlord may take these actions without being deemed in any manner guilty of trespass, eviction or forcible entry or detainer, without accepting surrender of the possession of the Premises by Tenant, and without incurring any liability for any damages resulting therefrom, including without limitation, any liability arising under applicable state law and without relinquishing Landlord’s right to Rent or any other right given to Landlord hereunder, or by operation of law, or in equity, Tenant hereby waiving any right to claim damage for such re-entry and expulsion, including without limitation, any rights granted to Tenant by applicable state law.

D. Bankruptcy. The following shall be events of bankruptcy (“Events of Bankruptcy”) under this Lease:

[1] Tenant’s becoming insolvent, as that term is defined under the Bankruptcy Code, or under the insolvency laws of any state, district, commonwealth or territory of the United States (the “Insolvency Laws”):

[2] The appointment of a receiver or custodian for any material part of Tenant’s property or assets, or the institution of a foreclosure action upon any material part of Tenant’s real or personal property;

[3] The filing of a voluntary petition under the provisions of the Bankruptcy Code or Insolvency Laws;

[4] The filing of an involuntary petition against Tenant as the subject debtor under the Bankruptcy Code or Insolvency Laws, which either [a] is not dismissed within thirty (30) days of filing, or [b] results in the issuance of an order for relief against the debtor; or

[5] Tenant’s making or consenting to an assignment for the benefit of creditors or a common law composition of creditors.

Upon the occurrence of an Event of Bankruptcy, Landlord shall have all rights and remedies available to Landlord pursuant to Subparagraph 20.B. hereof; provided that, while a case under the Bankruptcy Code is pending in which Tenant is the subject debtor and only for so long as Tenant or its Trustee in Bankruptcy (hereinafter referred to as “Trustee”) is in compliance with the provisions of Subparagraphs E., F. and G. below, Landlord shall not exercise its rights and remedies pursuant to Subparagraph 20.B. hereof.

E. Assumption. If Tenant becomes the subject debtor in a case pending under the Bankruptcy Code, Landlord's right to terminate this Lease pursuant to Subparagraph 20.B. above shall be subject to the rights of Trustee to assume or assign this Lease. Trustee shall not have the right to assume or assign this Lease unless Trustee promptly [i] cures all defaults under this Lease, [ii] compensates Landlord for monetary damages incurred as a result of such defaults, and [iii] provides "adequate assurance of future performance" on the part of the Tenant as debtor in possession or on the part of the assignee tenant.

F. Adequate Assurance. Landlord and Tenant hereby agree in advance that "adequate assurance of future performance," as used in Subparagraph E. above, shall mean that all of the following minimum criteria must be met:

[1] Trustee must agree that Tenant's business shall be conducted in a first-class manner, and that no liquidating sales, auctions, or other non-first-class business operations shall be conducted on the Premises;

[2] Trustee must agree that the use of the Premises as stated in this Lease will remain unchanged and that no prohibited use shall be permitted;

[3] Trustee must agree that the assumption or assignment of this Lease will not violate or affect the rights of any sublessees of space in the Premises;

[4] Trustee must pay to Landlord at the time the next monthly installment of Rent is due under this Lease, in addition to such Monthly Base Rent Installment of rent, an amount equal to the Monthly Base Rent Installments due under this Lease for the next three (3) months, said amount to be held by Landlord in escrow until either Trustee or Tenant defaults in its payment of rent or other obligations under this Lease (whereupon Landlord shall have the right to draw on such escrowed funds to pay all or any portion of unpaid sums due under this Lease) or until the expiration of this Lease (whereupon the funds shall be returned to Trustee or Tenant); and

[5] Tenant or Trustee must agree to pay to Landlord promptly at any time Landlord is authorized to and does draw on the escrow account the amount necessary to restore such escrow account to the original level required by Subparagraph [4] of this Subparagraph F.

G. Termination. In the event Tenant is unable to [i] cure its defaults, [ii] promptly reimburse the Landlord for its monetary damages, [iii] pay the rent and all other payments required of Tenant under this Lease when due hereunder, or [iv] meet the criteria and obligations imposed by Subparagraph 20.F. above, Tenant agrees in advance that it has not met its burden to provide "adequate assurance of future performance," and this Lease may be terminated by Landlord in accordance with Subparagraph 20.B. above.

H. Landlord’s Liens. Landlord does not hereby waive any lien on or security interest in any of Tenant’s personal property, fixtures, furniture and equipment of Tenant situated on the Premises which Landlord may have as security for the payment of Rent owed and the performance of the agreements of this Lease by Tenant; provided, however, Landlord agrees to subordinate any such lien or security interest and execute a subordination, in form and substance acceptable to Landlord, of any such lien if required or requested by any lender or creditor of Tenant which holds a lien on or security interest in such personal property, fixtures, furniture or equipment.

I. Remedies Cumulative. All rights, options and remedies of Landlord contained in this Lease shall be construed and held to be cumulative, and not one of them shall be exclusive of the other, and Landlord shall have the right to pursue any one or all of such remedies or any other remedy or relief which may be provided by law, whether or not stated in this Lease. No waiver of any default of Tenant hereunder shall be implied from any acceptance by Landlord of any Rent or other payments due hereunder or any omission by Landlord to take any action on account of default if such default persists or is repeated, and no express waiver shall affect defaults other than as specified in said waiver. The consent or approval of Landlord to or of any act by Tenant requiring Landlord's consent or approval shall not be deemed to waive or render unnecessary Landlord's consent or approval to or of any subsequent similar acts by Tenant.

J. Landlord’s Defaults. Landlord shall in no event be in default in the performance of any of its obligations under this Lease unless and until Landlord shall have failed to perform such obligation within thirty (30) days (or, if the default is of a nature that it cannot be cured within thirty (30) days, such additional time as is reasonably required to correct any such default) after notice by Tenant to Landlord in writing and pursuant to the terms of this Lease specifying wherein Landlord has failed to perform any such obligation. If Landlord fails to cure such a default within such time period, then Tenant may cure such default on behalf of Landlord and Landlord shall reimburse Tenant for its actual out-of-pocket costs of curing such default within ten (10) business days after receipt of a written request for reimbursement from Tenant accompanied by any invoices or other documents evidencing Tenant’s payment of such costs to cure.

21. ABANDONMENT OF PERSONAL PROPERTY. Any personal property left in the Premises or any personal property of Tenant left about the Building at the expiration or termination of this Lease, the termination of Tenant’s right to occupy the Premises or the abandonment or vacating of the Premises by the Tenant shall be deemed abandoned by Tenant and may, at the option of Landlord, be immediately removed from the Premises or such other space by Landlord and stored by Landlord at the full risk and cost of Tenant. Landlord shall in no event be responsible for value, preservation or safe keeping thereof. In the event that Tenant does not reclaim such personal property and pay all costs for any storage and moving thereof within ten (10) days after the expiration or termination of the Lease, the termination of Tenant’s right to occupy the Premises or the abandonment or vacating of the Premises by Tenant, Landlord may dispose of such personal property in any way that it deems proper. If Landlord shall sell any such personal property, it shall be entitled to retain from the proceeds the amount of any Rent or other expenses due Landlord, together with the cost of storage and moving in the expense of sale. Notwithstanding anything contained to the contrary, in addition to the rights provided herein with respect to any such property, Landlord shall have the option of exercising any of its other rights or remedies provided in this Lease or exercise any rights or remedies available to Landlord at law or in equity.

22. TRANSFERS

A. Prohibited. Tenant shall not, by operation of law or otherwise, do or allow any of the following (collectively, a "Transfer") without the prior written consent of Landlord, except as may otherwise be expressly provided for in this Paragraph 22:

(i) assign, transfer, mortgage, pledge, hypothecate or otherwise encumber this Lease, the Premises, the Building or any part of or interest in this Lease, the Premises or the Building;

(ii) grant any concession or license within the Building;

(iii) sublet all or any part of the Premises (provided, Landlord agrees that it shall not unreasonably withhold its consent to a subletting of the Premises if neither Tenant nor its brokers or agents have advertised the Premises as being available for subletting at a rental rate less than the rental rate charged under this Lease and Tenant is not released from performing its obligations under this Lease); or

(iii) permit any other party to occupy or use all or any part of the Premises, except as otherwise provided herein.

This prohibition against a Transfer includes, without limitation, (a) any subletting or assignment which would otherwise occur by operation of law, merger, consolidation, reorganization, transfer or other change of Tenant's corporate or proprietary structure; (b) an assignment or subletting to or by a receiver or Trustee in any Federal or state bankruptcy, insolvency or other proceeding; (c) the sale, assignment or transfer of all or substantially all of the assets of Tenant, with or without specific assignment of this Lease; (d) the change in control of Tenant; or (e) conversion of Tenant to a limited liability entity.

If Tenant requests Landlord's consent to any Transfer, then Tenant shall provide Landlord with a written description of all terms and conditions of the proposed Transfer, copies of the proposed documentation, and the following information about the proposed transferee: name and address; reasonably satisfactory information about its business and business history; its proposed use of the Premises; a copy of the proposed sublease or assignment agreement; banking, financial and other credit information; and general references sufficient to enable Landlord to determine the proposed transferee's creditworthiness and character. Landlord's consent to any sublease of all or any part of the Premises shall not release Tenant from performing its obligations under this Lease, but Tenant shall remain primarily liable therefor. Landlord's consent to any Transfer shall not waive Landlord's rights as to any subsequent Transfer. In the event that Tenant is in default of any of its continuing obligations under this Lease while the Premises or any part thereof are subject to a Transfer, Landlord may collect directly from such transferee all rents or other sums relating to the Premises becoming due to Tenant or Landlord and apply such rents and other sums against the Rent and any other sums payable hereunder. If the aggregate annual rental, bonus or other consideration paid by a transferee for any such space exceeds the sum of (y) Tenant's Rent to be paid to Landlord for such space during such period and (z) Tenant's costs and expenses actually incurred in connection with such Transfer, including reasonable brokerage fees, reasonable costs of finishing or renovating the space affected and reasonable cash rental concessions, which costs and expenses are to be amortized over the term of the Transfer, then twenty five percent (25%) of such excess shall be paid to Landlord within fifteen (15) days after such amount is earned by Tenant. Such overage amounts in the case of a sublease shall be calculated and adjusted (if necessary) on a lease year (or partial lease year) basis and there shall be no cumulative adjustment for the Term. Landlord shall have the right to audit Tenant's books and records relating to the Transfer. Tenant authorizes its transferees to make payments of rent and any other sums due and payable, directly to Landlord upon receipt and notice from Landlord to do so. Any attempt to Transfer by Tenant in violation of the terms and covenants of this Paragraph 22 shall be void and shall constitute a Default by Tenant under this Lease. In the event that Tenant requests that Landlord consider a sublease or assignment hereunder, Tenant shall pay (i) Landlord's reasonable fees, not to exceed $1,000.00 per transaction, incurred in connection with the consideration of such request, and (ii) all attorneys' fees and costs incurred by Landlord in connection with the consideration of such request or such sublease or assignment.

Notwithstanding anything to the contrary contained in this Paragraph 22, Tenant may assign this Lease or sublease or license the Premises in whole or in part, upon ten (10) days prior written notice to Landlord (but without the consent of Landlord) to an "Affiliate" of Tenant. An "Affiliate" is any company which controls Tenant, is controlled by Tenant, or is controlled by the same company which controls Tenant. For purpose of this Paragraph 22, "Control" means ownership of at least fifty percent (50%) of the outstanding voting securities of such company. Furthermore, in the event any assignment would occur by operation of law pursuant to a merger, consolidation or change in Tenant's corporate structure by Tenant, or the acquisition of Tenant by another entity, Landlord agrees not to unreasonably withhold its consent to such assignment (and the parties agree that it shall be reasonable for Landlord to review and take into consideration such proposed transferee's financial condition and creditworthiness in making such determination) if all of the other terms and conditions for an assignment contained in the immediately preceding subparagraph of this Paragraph 22 are met by Tenant and shall continue to be applicable to Tenant. Landlord agrees to provide Tenant with written notice of its consent or refusal to consent to such an assignment within ten (10) days after receipt of a written request therefor from Tenant, which request shall include all of the items listed in the first sentence of the immediately preceding subparagraph of this Paragraph 22.

B. Landlord's Transfer. Landlord shall have the right at any time to sell, transfer or assign, in whole or in part by operation of law or otherwise, their rights, benefits, privileges, duties, obligations or interests in this Lease or in the Premises, the Building, or the Land and all other property referred to herein, without the prior consent of Tenant, and such sale, transfer or assignment shall be binding on Tenant. After such sale, transfer or assignment, Tenant shall attorn to such purchaser, transferee or assignee, and Landlord shall be released from all liabilities and obligations under this Lease accruing after the effective date of such sale, transfer or assignment, provided Tenant shall be provided with a commercially reasonable non-disturbance agreement from such transferee, as described below.

23. ESTOPPEL CERTIFICATE, ATTORNMENT, SUBORDINATION.

A. Subordination. Provided that Landlord has obtained, in favor of Tenant, a written agreement of the ground lessor or any mortgagee of Landlord, that Tenant's use and possession of the Premises and other rights under this Lease shall not be disturbed so long as Tenant is not in Default under this Lease, this Lease shall be subject and subordinated at all times to (a) all ground or underlying leases now existing or which may hereinafter be executed affecting the Property, and (b) the lien or liens of all mortgages and deeds of trust in any amount or amounts whatsoever now or hereafter placed on the Land and/or Building or Landlord's replacements and extensions thereof, and to each advance made or hereafter to be made thereunder. Tenant shall execute and deliver upon execution of this Lease, and, thereafter, within fifteen (15) business days after delivery of a written request therefor a subordination, non-disturbance and attornment agreement ("SNDA") in form and substance similar to the form SNDA attached hereto and made a part hereof as Exhibit E. Tenant shall attorn to any other party succeeding to Landlord's interest in the Premises, whether by purchase, foreclosure, deed in lieu of foreclosure, power of sale, termination of lease or otherwise, only upon such party's request and at such party's sole discretion but not otherwise. Notwithstanding the above, Tenant agrees that any successor in interest to Landlord shall not be (a) liable for any act or omission of, or subject to any rights of setoff, claims or defenses otherwise assertable by Tenant against, any prior owner of the Land and/or Building (including without limitation, Landlord) (b) bound by any rents paid more than one (1) month in advance to any prior owner, (c) liable for any Security Deposit not paid over to such successor by Landlord, and (d) if such successor is a mortgagee or a ground lessor whose address has been previously given to Tenant, bound by any modification, amendment, extension or cancellation of the Lease not consented to in writing by such mortgagee or ground lessor. Tenant shall not seek to enforce any remedy it may have for any default on the part of Landlord without first giving written notice by certified mail, return receipt requested, specifying the default in reasonable detail, to any mortgagee or lessor under a lien instrument or ground lease covering the Land and/or Building whose address has been given to Tenant, and affording such mortgagee or lessor a reasonable opportunity to perform Landlord's obligations hereunder. Tenant hereby irrevocably appoints Landlord as its attorney-in-fact in its name, place and stead to execute any such SNDA which Tenant fails to execute within fifteen (15) business days after delivery of a written request for such SNDA.

B. Estoppel Certificate or Three-Party Agreement. Tenant agrees within fifteen (15) business days (ten (10) business days for the Landlord's first loan to close after the date of this Lease) following written request by Landlord (a) to execute, acknowledge and deliver to Landlord and any other persons specified by Landlord, a certificate or three-party agreement among Landlord, Tenant and/or any third-party dealing with Landlord, certifying (i) that this Lease is unmodified and in full force and effect, or, if modified, stating the nature of such modification (ii) the date to which the Rent and other charges are paid in advance, if any, (iii) that there are not, to Tenant's knowledge, any uncured defaults on the part of Landlord hereunder, or so specifying such defaults, if any, as are claimed and/or (iv) any other matters as such third party may reasonably require in connection with the business dealings of Landlord and/or such third-party and (b) to deliver to Landlord current financial statements of Tenant, including a balance sheet and a profit and loss statement for at least two (2) years, all prepared in accordance with generally accepted accounting principles consistently applied. Tenant's failure to deliver such certificate or three-party agreement within such fifteen (15) business day period shall be conclusive upon Tenant (x) that this Lease is in full force and effect without modification except as may be represented by Landlord, (y) that to Tenant's knowledge there are no uncured defaults in Landlord's performance, and (z) that no Rent has been paid in advance except as set forth in this Lease. Tenant hereby irrevocably appoints Landlord its attorney-in-fact in its name, place and stead to execute any such certificate or three-party agreement which Tenant fails to execute within such fifteen (15) business day period.

24. RULES AND REGULATIONS. Tenant shall, and shall cause its employees, invitees, agents, visitors and licensees to, observe faithfully and comply with the "Rules and Regulations," set forth on Exhibit D attached hereto as a part hereof, and any violation of such Rules and Regulations shall be a default by Tenant under this Lease. Landlord shall have the right to make reasonable changes in and additions to these rules and regulations, provided such changes and additions do not unreasonably affect the conduct of Tenant's business. Landlord shall not be responsible to Tenant for the violation or non-performance by any other tenant or occupant of the Building of any of said Rules and Regulations. Tenant acknowledges that it has received a copy of the Rules and Regulations.

25. CONFLICT OF LAWS. This Lease shall be governed by and construed under the laws of the State in which the Premises are located.

26. SUCCESSORS AND ASSIGNS. Except as otherwise provided in this Lease, all of the covenants, conditions and provisions of this Lease shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, personal representatives and permitted successors and assigns, and shall survive the termination of this Lease.

27. ATTORNEYS' FEES. If it becomes necessary for Landlord or Tenant to employ an attorney or to bring suit for the possession of the Premises, for the recovery of any sum due under this Lease, or because of the breach of any provisions of this Lease, or for any other relief against the other party hereunder, then all costs and expenses, including reasonable attorneys' fees, whether or not suit is filed, incurred by the claiming party shall be paid by the other party if the claiming party's claim is successful.

28. DEFINITION OF LANDLORD. The term "Landlord" as used in this Lease, so far as covenants or obligations on the part of Landlord are concerned, shall be limited to mean and include only the owner of the Building and Land designated as "Landlord" in Paragraph 1. In the event of any transfer, assignment or other conveyance or transfers of any such title or leasehold, Landlord herein named (and in case of any subsequent transfers or conveyances, the then grantor) shall be automatically freed and relieved from and after the date of such transfer, assignment or conveyance of all liability as respects the performance of any covenants or obligations on the part of Landlord contained in this Lease thereafter to be performed.

29. WAIVER. The waiver by Landlord of any breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of any subsequent breach of the

same or any other term, covenant or condition herein contained, nor shall any custom or practice which may grow up between the parties in the administration of the terms hereof be deemed a waiver of, or in any way affect, the right of Landlord to insist upon the performance by Tenant in strict accordance with said terms. The subsequent acceptance of Rent hereunder by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant or condition of this Lease, other than the failure of Tenant to pay the particular Rent so accepted, regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such Rent.

30. IDENTIFICATION OF TENANT. If more than one person or entity executes this Lease as Tenant, [a] each of them shall be jointly and severally liable for the keeping, observing and performing of all of the terms, covenants, conditions, provisions and agreements of this Lease to be kept, observed and performed by Tenant, and [b] the term "Tenant" as used in this Lease shall mean and include each of them jointly and severally and the act of or notice from, or notice or refund to, or the signature of, any one or more of them, with respect to the tenancy of this Lease, including, but not limited to, any renewal, extension, expiration, termination or modification of this Lease, shall be binding upon each and all of the persons executing this Lease as Tenant with the same force and effect as if each and all of them had so acted or so given or received such notice or refund or so signed.

31. TERMS AND HEADINGS. The words "Landlord" and "Tenant" as used herein shall include the plural as well as the singular. Words used in any gender include other genders. The Paragraph headings of the Lease are not a part of this Lease and shall have no effect upon the construction or interpretation of any part hereof.

32. EXAMINATION OF LEASE. Submission of the form of this Lease for examination shall not bind Landlord in any manner, and no lease or other obligation of Landlord shall arise until this instrument is signed by both Landlord and Tenant, approved by the holder of any mortgage, deed of trust or other financial encumbrance on the Building having such approval rights, and delivery is made to each party.

33. TENANT’S AUTHORITY. Each of Landlord and Tenant, hereby covenants and warrants that: [a] it is a duly organized, validly existing entity in good standing, authorized and qualified to transact business in the Commonwealth of Kentucky with no proceedings pending or contemplated for its dissolution or reorganization, voluntarily or involuntarily; [b] the person executing this Lease on its behalf is an officer of same who is duly authorized to sign and execute this Lease on its behalf; and [c] this Lease is a valid and binding obligation of such party, enforceable in accordance with its terms.

34. TIME. Time is of the essence with respect to the performance and observance of all the terms, covenants and conditions contained in this Lease.

35. PRIOR AGREEMENTS; AMENDMENTS. This Lease contains all of the agreements of the parties hereto with respect to any matter covered or mentioned in this Lease and, as of the Commencement Date, no prior agreement or understanding (including the BBCIA Lease or the BBCIB Lease, which shall terminate as of the Commencement Date) pertaining to any such matter shall be effective for any purpose. No provision of this Lease may be amended

or added to except by an agreement in writing signed by the parties hereto or their respective successors in interest.

36. PARTIAL INVALIDITY. If any term, covenant or condition of this Lease or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term, covenant or condition to persons or circumstances other than those to which it is held invalid or unenforceable, shall not be affected thereby; and such term, covenant or condition of this Lease shall be valid and be enforced to the fullest extent permitted by law.

37. RECORDING. Tenant shall not record this Lease nor a short form memorandum thereof, without the prior written consent of the Landlord. Tenant shall pay all costs, fees and other expenses in connection with or prerequisite to recording.

38. LIMITATION ON LIABILITY. Anything contained in this Lease to the contrary notwithstanding, Tenant agrees that Tenant shall look solely to the estate and property of the Landlord in the Land and Building for the collection of any judgment (or other judicial process) requiring the payment of money by Landlord in the event of any default or breach by Landlord with respect to any of the terms and provisions of this Lease to be observed and/or performed by Landlord, subject, however, to the prior rights of any ground or underlying lessor or the holder of any mortgage covering the Land and Building, and no other assets of the Landlord shall be subject to levy, execution or other judicial process for the satisfaction of Tenant's claims. In the event Landlord conveys or transfers its interest in the Land or Building, or in this Lease, except as collateral security for a loan, upon such conveyance or transfer Landlord (and in the case of any subsequent conveyances or transfers, the then grantor or transferor) shall be entirely released and relieved from all liability with respect to the performance or any covenants and obligations on the part of the Landlord to be performed hereunder from and after the date of such conveyance or transfer; it being intended hereby that the covenants and obligations on the part of the Landlord to be performed hereunder shall subject as aforesaid, be binding on Landlord, its successors and assigns only during and in respect of its period of ownership of an interest in the Land or Building or in this Lease. This provision shall not be deemed, construed or interpreted to be or constitute any agreement, express or implied, between Landlord and Tenant that the Landlord's interest hereunder and in the Land and Building shall be subject to impressments of an equitable lien or otherwise.

39. RIDERS. Clauses, plats, riders and exhibits, if any, affixed to this Lease are made a part hereof.

40. SIGNS AND AUCTIONS. Tenant shall not place any sign upon the Premises or the Building or conduct any auction on the Land or in the Building without Landlord's prior written consent.

41. MORTGAGEE'S APPROVAL. If any mortgagee of the Building requires any commercially reasonable modification of the terms and provisions of this Lease as a condition to its financing, then Landlord shall have the right to cancel and terminate this Lease if Tenant unreasonably withholds, delays or conditions its approval or execution of such modification(s) beyond thirty (30) days after Landlord's request therefore, so long as such requested

modifications do not materially change the financial or other business terms of this Lease. Upon such cancellation by Landlord, this Lease shall be null and void and neither party shall have any liability either for damages or otherwise to the other by reason of such cancellation. In no event, however, shall Tenant be required to agree, and Landlord shall not have any right of cancellation for Tenant's refusal to agree, to any modification of the provisions of this Lease relating to: [a] the amount of Rent or other charges reserved herein; [b] the size and/or location of the Premises; [c] the duration and/or Commencement Date of the Term, [d] reducing the improvements to be made by Landlord to the Premises pursuant to this Lease or the Work Letter Agreement, or [e] other financial or other business terms of this Lease.

42. ACCORD AND SATISFACTION. No payment by Tenant or receipt by Landlord of a lesser amount than the Rent payment herein stipulated shall be deemed to be other than on account of the Rent, nor shall any endorsement or statement on any check or any letter accompanying any check or payment as Rent be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such Rent or pursue any other remedy provided in this Lease. Tenant agrees that each of the foregoing covenants and agreements shall be applicable to any covenant or agreement either expressly contained in this Lease or imposed by any statute or at common law.

43. FINANCIAL STATEMENTS. At any time during the Term of this Lease, but in no event more often than one (1) time during any Lease Year, Tenant shall, upon ten (10) days prior written notice from Landlord, provide Landlord with its most recent financial statement and financial statements of the two (2) years prior to the Tenant’s last financial statement year. Such statement shall be prepared in accordance with generally accepted accounting principles and audited by an independent certified public accountant (monthly or quarterly financial statements may be unaudited). In the event, and for so long as, Tenant is a publicly traded company subject to the reporting rules and regulations of the Securities Exchange Commission, Landlord shall not require Tenant to deliver such financial statements provided Tenant has given Landlord information sufficient for them to retrieve or download such financial statements from the Internet.

44. MISCELLANEOUS PROVISIONS.

A. Except with respect to those obligations specifically required hereunder to be performed prior to the Commencement Date, all of the other conditions, covenants and agreements of this Lease shall be deemed to be effective as of the Commencement Date.

B. Nothing contained herein will be deemed or construed by the parties hereto, nor by any third party, as creating the relationship of principal and agent or of partnership or of joint venture between the parties hereto, it being understood and agreed that neither the computation of Rent, nor any other provision contained herein nor any acts of the parties herein, shall be deemed to create any relationship between the parties hereto other than the relationship of Landlord and Tenant.

C. All negotiations, correspondences, space plans and other information pertaining to this Lease are to be kept strictly confidential (except that Landlord may make such disclosures as it deems necessary to their respective employees, agents, contractor or advisors, and as Landlord may be required pursuant to any law, rule, regulation, order or code) and Tenant shall not disclose the terms, covenants and conditions of this Lease to any other party (except its attorneys, brokers and professional consultants) without having first obtained the written consent of Landlord.

45. CONSENTS BY LANDLORD. In all circumstances under this Lease where the prior consent or permission of Landlord is required before Tenant is authorized to take any particular type of action, such consent must be in writing and the matter of whether to grant such consent or permission shall be within the sole and exclusive judgment and discretion of Landlord, and it shall not constitute any nature of breach by Landlord under this Lease or any defense to the performance of any covenant, duty or obligation of Tenant under this Lease that Landlord denied, conditioned, delayed or withheld the granting of such consent or permission, whether or not the denial, condition, delay or withholding of such consent or permission was prudent or reasonable or based on good cause, unless otherwise specifically so stated. With respect to any provision of this Lease which provides that Tenant shall obtain Landlord's prior consent or approval, Landlord may withhold such consent or approval for any reason in its sole discretion, unless the provision specifically states that the consent or approval will not be unreasonably withheld. With respect to any provision of this Lease which provides that Landlord shall not unreasonably deny, withhold, condition or delay any consent or any approval, Tenant, in no event, shall be entitled to make, nor shall Tenant make any claim for, and Tenant hereby waives any claim for any money damages; nor shall Tenant claim any money damages by way of setoff, counterclaim or defense, based upon any claim or assertion by Tenant that Landlord has unreasonably denied, withheld, conditioned or delayed any consent or approval and the Tenant's sole remedy shall be an action or proceeding to enforce any such provision, or for specific performance, injunction or declaratory judgment.

46. DISCLAIMER; WAIVER OF JURY TRIAL.

A. DISCLAIMER. LANDLORD AND TENANT EXPRESSLY ACKNOWLEDGE AND AGREE, AS A MATERIAL PART OF CONSIDERATION FOR LANDLORD'S ENTERING INTO THIS LEASE WITH TENANT, THAT, EXCEPT AS OTHERWISE SET FORTH IN THIS LEASE, LANDLORD HAS MADE NO WARRANTIES TO TENANT AS TO THE USE OR CONDITION OF THE PREMISES OR THE BUILDING, EITHER EXPRESSED OR IMPLIED, AND LANDLORD AND TENANT EXPRESSLY DISCLAIM ANY IMPLIED WARRANTY THAT THE PREMISES OR THE BUILDING ARE SUITABLE FOR TENANTS INTENDED COMMERCIAL PURPOSE OR ANY OTHER WARRANTY (EXPRESSED OR IMPLIED) REGARDING THE PREMISES OR THE BUILDING. EXCEPT AS EXPRESSLY SET FORTH IN THIS LEASE OR IN THE WORK LETTER AGREEMENT, LANDLORD AND TENANT EXPRESSLY AGREE THAT THERE ARE NO, AND SHALL NOT BE ANY, IMPLIED WARRANTIES OF MERCHANTABILITY, HABITABILITY, FITNESS FOR A PARTICULAR PURPOSE OR ANY OTHER KIND ARISING OUT OF THIS LEASE, ALL SUCH OTHER EXPRESSED OR IMPLIED WARRANTIES IN CONNECTION HEREWITH BEING EXPRESSLY DISCLAIMED AND WAIVED; PROVIDED, HOWEVER, LANDLORD HEREBY REPRESENTS TO TENANT THAT THEY HAVE NOT BEEN NOTIFIED OF ANY OUTSTANDING BUILDING DEPARTMENT VIOLATIONS OR OPEN ALTERATION APPLICATIONS WITH RESPECT TO THE BUILDING. LANDLORD SHALL USE ITS BEST EFFORTS TO OBTAIN A

CERTIFICATE OF OCCUPANCY BASED ON THE THEN CURRENT CONFIGURATION AND USE OF THE PREMISES UPON COMPLETION OF THE BUILDING IMPROVEMENTS CONTAINED IN THE WORK LETTER AGREEMENT. LANDLORD SHALL AGREE TO ASSIST TENANT WITH ANY BUILDING PERMIT APPROVALS, AT NO COST OR EXPENSE TO LANDLORD.

B. WAIVER OF JURY TRIAL. LANDLORD AND TENANT WAIVE THE RIGHT TO A TRIAL BY JURY AND ANY ACTION OR PROCEEDING BASED UPON, OR RELATED TO, THE SUBJECT MATTER OF THIS LEASE. THIS WAIVER IS KNOWINGLY, INTENTIONALLY AND VOLUNTARILY MADE BY TENANT AND TENANT ACKNOWLEDGES THAT NEITHER LANDLORD NOR ANY PERSON ACTING ON BEHALF OF LANDLORD HAS MADE ANY REPRESENTATIONS OF FACT TO INDUCE THIS WAIVER OF TRIAL BY JURY OR IN ANY WAY TO MODIFY OR NULLIFY ITS EFFECT. TENANT FURTHER ACKNOWLEDGES THAT IT HAS BEEN REPRESENTED (OR HAS THE OPPORTUNITY TO BE REPRESENTED) IN THE SIGNING OF THIS LEASE AND IN THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL COUNSEL, SELECTED OF ITS OWN FREE WILL, AND THAT IT HAS HAD THE OPPORTUNITY TO DISCUSS THIS WAIVER WITH COUNSEL. TENANT FURTHER ACKNOWLEDGES THAT IT HAS READ AND UNDERSTANDS THE MEANING AND RAMIFICATIONS OF THIS WAIVER PROVISION AND AS EVIDENCE OF SAME HAS EXECUTED THIS LEASE.

47. ROOF RIGHTS. Tenant shall have the exclusive right to use, and shall, upon prior reasonable written request to Landlord, be provided reasonable access to all or any portion of the roof of the Building for use of the roof as follows: (i) to maintain any existing communication equipment reasonably necessary for the conduct of Tenant’s business in the Building; and (ii) upon prior written request for and approval of by Landlord (which approval shall not be unreasonably denied, withheld, conditioned or delayed) any additional communications equipment; provided, however, Landlord and Tenant shall mutually agree upon the final size, location and appearance of such additional equipment, and provided Tenant’s use shall not unreasonably interfere with any other tenant’s communications or electronic devices in the Blankenbaker Business Center buildings and shall not invalidate or lessen any roof warranties or insurance policies on the Building, or violate any applicable zoning or building code requirements, binding elements or any restrictions of record affecting the Building. Upon expiration or other termination of this Lease, Tenant shall, at its sole cost and expense, remove any and all of Tenant’s rooftop communications equipment and repair any damage caused by its use of the roof or the removal of the equipment. Tenant shall not be charged an additional fee or charged for usage of space on the roof.

48. VENTING. Unless already in place on the date of this Lease, Tenant shall be required to obtain Landlord’s prior written consent for any venting through the Building facade or roof (including, but not limited to, the installation of supplemental HVAC units, exhaust systems, etc.), such consent not to be unreasonably conditioned, withheld or delayed; provided such venting shall not invalidate or lessen any roof warranties or insurance policies on the Building or violate any applicable zoning or building code requirements, binding elements or any restrictions of record affecting the Building. Tenant shall at its sole cost and expense repair any damage caused by venting through the Building facade or roof.

49. HOLIDAYS. The following dates shall collectively be known as "Holidays" and individually known as a "Holiday": New Years' Day; Memorial Day; Independence Day; Labor Day; Thanksgiving Day; the Friday following Thanksgiving Day; Christmas Day; and any other Holiday recognized and taken by national banks in Metro Louisville. If in the case of any Holiday a different day shall be observed, than the respective days above-described, then that day which constitutes the day observed by national banks and in Metro Louisville on account of such Holiday shall constitute the Holiday under this Lease.

50. HAZARDOUS MATERIALS.

A. As used in this Lease, the term "Hazardous Materials" shall mean and include any substance that is or contains petroleum, asbestos, polychlorinated biphenyls, lead, or any other substance, material or waste which is now or is hereafter classified or considered to be hazardous or toxic under any federal, state or local law, rule, regulation or ordinance relating to pollution or the protection or regulation of human health, natural resources or the environment (collectively "Environmental Laws") or poses or threatens to pose a hazard to the health or safety of persons on the Premises or any adjacent property.

B. Tenant agrees that during its use and occupancy of the Premises, it will not cause or permit Hazardous Materials to be present on or about the Premises except in a manner and in quantities necessary for the ordinary performance of Tenant's business and that it will comply with all Environmental Laws relating to the use, storage or disposal of any such Hazardous Materials. Landlord agrees that in the exercise of its rights and in the performance of its obligations under this Lease, and otherwise in connection with their presence on the Premises, they shall not cause or knowingly permit Hazardous Materials to be present on or about the Premises except in a manner and in quantities necessary to exercise such rights or perform such obligations, and that they will comply with all Environmental Laws relating to the use, storage or disposal of any such Hazardous Materials .

C. If Tenant's use of Hazardous Materials on or about the Premises results in a release, discharge or disposal of Hazardous Materials on, in, at, under or emanating from, the Premises or the Land on which the Premises are located, Tenant agrees to investigate, clean up, remove or remediate such Hazardous Materials in full compliance with (a) the requirements of (i) all Environmental Laws and (ii) any governmental agency or authority responsible for the enforcement of any Environmental Laws; and (b) any additional requirements of Landlord that are reasonably necessary to protect the value of the Premises or the Land on which the Premises are located. Landlord shall also have the right, but not the obligation, to take whatever action with respect to any such Hazardous Materials that it deems reasonably necessary to protect the value of the Premises or the Land on which the Premises are located and all costs and expenses incurred by Landlord in the exercise of such rights shall fall under Tenant's indemnification obligations set forth in Subparagraph 50.F.

D. Upon reasonable notice to Tenant, Landlord may inspect the Premises for the purpose of determining whether there exists on the Premises any Hazardous Materials or other condition or activity that is in violation of the requirements of this Lease or of any Environmental Laws. The right granted to Landlord herein to perform inspections shall not create a duty on Landlord's part to inspect the Premises, or liability on the part of Landlord for Tenant's use, storage or disposal of Hazardous Materials, it being understood that Tenant shall be solely responsible for all liability in connection therewith.

E. Tenant shall surrender the Premises to Landlord upon the expiration or earlier termination of this Lease free of debris, waste or Hazardous Materials placed on or about Premises by Tenant or its agents, employees, contractors or invitees, and in a condition which complies with all Environmental Laws.

F. Tenant agrees to indemnify and hold harmless Landlord from and against any and all claims, losses (including, without limitation, loss in value of the Premises or the Land on which the Premises are located), liabilities and expenses (including reasonable attorneys' fees) sustained by Landlord attributable to (i) any Hazardous Materials placed on or about the Premises by Tenant or its agents, employees, contractors or invitees, or (ii) Tenant's breach of any provision of this Paragraph 50.

G. Landlord hereby represents and warrants that, to the best of Landlord's knowledge, and except as may be specifically mentioned in, the most recent Phase I Environmental Report conducted by Landlord, its predecessors in interest or their lender dated April 27, 1994 issued by Law Engineering (the "1994 Environmental Report") a copy of which has been delivered to Tenant, no Hazardous Materials have been released, discharged or disposed of on the Premises or the Land. Landlord agrees to pay for any cost of investigation, removal or remediation, in accordance with the Environmental Laws, of any Hazardous Materials on the Premises or the Land recommended to be remediated: (i) by the 1994 Environmental Report which have not already been remediated, if any; or (ii) by an environmental report to be obtained during the first quarter of calendar year 2005 for Landlord's loan for the Premises, except to the extent such Hazardous Materials were placed on the Premises or the Land by Tenant, its agents, contractors, employees or licensees during Tenant's possession of the Premises (whether such possession occurred under this Lease or under the BBCIA Lease or the BBCIB Lease). Landlord agrees to indemnify and hold harmless Tenant from and against any and all claims, losses, liabilities and expenses (including reasonable attorneys' fees) sustained by Tenant attributable to (i) any Hazardous Materials placed on or about the Premises by Landlord, their agents, employees, contractors or invitees, or (ii) Landlord's breach of any provision of this Paragraph 50.

H. The provisions of this Paragraph 50. shall survive the expiration or earlier termination of this Lease.

51. QUIET ENJOYMENT. Tenant, upon paying the rent and performing the other covenants and agreements set forth herein, shall peaceably and quietly enjoy the Premises for the term hereof without hindrance on the part of Landlord, subject to the terms and conditions hereof.

52. MOLD.

Tenant, at its sole cost and expense, shall:

(i) Regularly visually inspect the Premises for the presence of mold or for any conditions that reasonably can be expected to give rise to mold (the "Mold Conditions"), including, but not limited to, observed or suspected instances of water damage, mold growth, repeated complaints of respiratory ailment or eye irritation by Tenant's employees or any other occupants in the Premises, or any notice from a governmental agency of complaints regarding the indoor air quality at the Premises; and

(ii) Promptly notify Landlord in writing if it suspects mold or Mold Conditions at the Premises.

Landlord agrees that nothing contained in the foregoing shall require Tenant to install equipment or engage experts or take any other similar action or expend any other out-of-pocket cost in order to fulfill its obligations under subsection (i) above.

53. OFFICE OF FOREIGN ASSETS CONTROL ("OFAC") CERTIFICATION.

A. Certification. Tenant certifies that:

(i) It is not acting, directly or indirectly, for or on behalf of any person, group, entity or nation named by any Executive Order or the United States Treasury Department as a terrorist, "Specially Designated National and Blocked Person," or other banned or blocked person, entity, nation or transaction pursuant to any law, order, rule or regulation that is enforced or administered by the Office of Foreign Assets Control; and

(ii) It is not engaged in this transaction, directly or indirectly on behalf of, or instigating or facilitating this transaction, directly or indirectly on behalf of, any such person, group, entity or nation.

B. Indemnification. Tenant hereby agrees to defend, indemnify and hold harmless Landlord from and against any and all claims, damages, losses, risks, liabilities and expenses (including attorneys' fees and costs) arising from or related to any breach of the foregoing certification.

54. HIPAA REQUIREMENTS. Landlord shall execute and comply with the terms of the Non-Disclosure and Confidentiality Agreement in the form attached hereto as Exhibit G and made a part hereof. Landlord shall promptly provide a copy of such executed agreement to Tenant.

IN WITNESS WHEREOF, the parties have executed this Lease as of the day and year first above written, but actually on the dates set forth below their respective signatures.

Signed and Acknowledged
In the Presence of:

____
Witness

____
Witness

"Tenant"
SHPS, INC., a Florida corporation

By:______________________________

Print Name: ______________________

Title: ___________________________

Date: ___________________________

"Landlord"

NTS REALTY HOLDINGS LIMITED PARTNERSHIP, a Delaware limited partnership

By: NTS Realty Capital, Inc., a Delaware corporation, managing general partner

By: ______________________________
Bryan R. Russsell, Senior Vice President

Signed and acknowledged
in the Presence of :

____
Witness

____
Witness

"EXHIBIT A"

FLOOR PLAN

<u>EXHIBIT B</u>

LEGAL DESCRIPTION OF LAND

EXHIBIT B

TRACT 1:

BEGINNING at a point in the north right-of-way line of Bluegrass Parkway and the Southeasterly corner of the tract conveyed to Jim Kincer as recorded in Deed Book 5570, Page 686, in the Office of the Clerk of Jefferson County, Kentucky; thence with Kincer's east line, North 14 degrees 52 minutes 15 seconds West, 326.75 feet to a point; thence leaving Kincer's line, South 53 degrees 36 minutes 36 seconds East, 108.67 feet to a point; thence North 74 degrees 49 minutes 35 seconds East, 49.50 feet to a point; thence South 15 degrees 06 minutes 11 seconds West, 63.00 feet to a point; thence South 88 degrees 11 minutes 25 seconds East, 97.90 feet to a point; thence North 14 degrees 36 minutes 02 seconds East, 89.98 feet to a point; thence North 75 degrees 13 minutes 04 seconds East, 191.81 feet to a point; thence North 07 degrees 18 minutes 03 seconds East, 192.67 feet to a point; thence North 73 degrees 52 minutes 52 seconds East, 50.65 feet to a point; thence South 82 degrees 30 minutes 51 seconds East, 194.41 feet to a point; thence with the right-of-way of Kentucky Mills Drive and with the arc of a curve to the left, having a radius of 1462.39 feet, and a chord of South 07 degrees 42 minutes 40 seconds West, 398.21 feet to a point; thence South 00 degrees 06 minutes 51 seconds East, 75.00 feet to a point; thence with the arc of a curve to the right, having a radius of 170.00 feet, and a chord of South 19 degrees 48 minutes 52 seconds West, 115.89 feet to a point; thence South 39 degrees 44 minutes 37 seconds West, 4.03 feet to a point; thence with the arc of a curve to the right, having a radius of 40.00 feet, and a chord of South 81 degrees 26 minutes 54 seconds West, 53.22 feet to a point in the north right-of-way line of Bluegrass Parkway; thence with said line of Bluegrass Parkway along an arc of a curve to the left, having a radius of 570.00 feet, and the following chords: North 68 degrees 52 minutes 51 seconds West, 237.69 feet to a point and South 87 degrees 03 minutes 02 seconds West, 237.69 feet to the point of beginning; and being designated as Tract 1, as more particularly shown on the Minor Subdivision Plat, approved by the Louisville and Jefferson County Planning Commission, attached to the deed of record in Deed Book 6489, Page 972, in the Office of the Clerk of Jefferson County, Kentucky.

BEING a part of the same property conveyed to Blankenbaker Business Center Joint Venture by deed dated December 28, 1990, of record in Deed Book 6024, Page 297, by deed dated April 28, 1994, of record in Deed Book 6447, Page 877, by deed dated August 4, 1994, of record in Deed Book 6489, Page 995, and by deed dated August 4, 1994, of record in Deed Book 6490, Page 6, all in the Office of the Clerk of Jefferson County, Kentucky.

TRACT 2:

BEING Tract III as shown on the minor subdivision plat, approved by the Louisville and Jefferson County Planning Commission, attached to the Deed of record in Deed Book 6024, Page 302, in the Office of the Clerk of Jefferson County, Kentucky; and being further shown as Tract 4 on the minor subdivision plat, approved by the Louisville and Jefferson County Planning Commission, attached to the Deed of record in Deed Book 6489, Page 972, in the aforesaid Clerk's Office.

BEING the same property conveyed to Blankenbaker Business Center Joint Venture by Deed dated December 28, 1990, of record in Deed Book 6024, Page 302, in the Office of the Clerk of Jefferson County, Kentucky.

TOGETHER WITH the right to use in common with others the access easements set out in Declaration of Cross-Easement of record in Deed Book 5924, Page 754, as amended in Deed Book 6365, Page 106, both in the aforesaid Clerk's Office.

TRACT 3:

BEGINNING at a point in the northerly right-of-way line of Bluegrass Parkway at the southeasterly corner of the tract conveyed to Jim Kincer as recorded in Deed Book 5570, Page 686, in the Office of the Clerk of Jefferson County, Kentucky; thence North 14 degrees 52 minutes 15 seconds West, 326.75 feet to the "TRUE POINT OF BEGINNING"; thence North 14 degrees 52 minutes 15 seconds West, 105.31 feet to point; thence North 73 degrees 52 minutes 20 seconds East, 297.02 feet to a point; thence North 15 degrees 02 minutes 06 seconds West, 185.86 feet to a point; thence South 74 degrees 57 minutes 54 seconds West, 42.00 feet to a point; thence North 15 degrees 02 minutes 06 seconds West, 208.21 feet to a point; thence South 74 degrees 55 minutes 50 seconds West, 196.17 feet to a point; thence North 14 degrees 50 minutes 16 seconds West, 160.99 feet to a point in the south right of way line of Interestate 64; thence with the south right of way line of Interstate 64, North 87 degrees 41 minutes 57 seconds East, 191.00 feet to point; thence North 89 degrees 35 minutes 05 seconds East, 212.25 feet to a point; thence South 14 degrees 53 minutes 50 seconds East, 456.34 feet to a point; thence North 73 degrees 52 minutes 20 seconds East, 27.61 feet to a point; thence South 82 degrees 30 minutes 51 seconds East, 66.74 feet to a point; thence South 73 degrees 52 minutes 52 seconds West, 50.65 feet to point; thence South 07 degrees 18 minutes 03 seconds West, 192.67 feet to a point; thence South 75 degrees 13 minutes 04 seconds West, 191.81 feet to a point; thence South 14 degrees 36 minutes 02 seconds West, 89.98 feet to a point; thence North 88 degrees 11 minutes 25 seconds West, 97.90 feet to a point; thence North 15 degrees 06 minutes 11 seconds East, 63.00 feet to point; thence South 74 degrees 49 minutes 35 seconds West, 49.50 feet to a point; thence North 53 degrees 36 minutes 36 seconds West, 108.67 feet to the "TRUE POINT OF BEGINNING," containing 4.803 acres, more or less, and being designated as Tract 2 on the Minor Subdivision Plat, approved by the Louisville and Jefferson County Planning Commission, attached to the deed of record in Deed Book 6489, Page 972, in the Office of the Clerk of Jefferson County, Kentucky.

BEING a part of the same property conveyed to NTS/BBC I, by Deed dated December 27, 1989, of record in Deed Book 5924, Page 744, by Deed dated August 4, 1994, of record in Deed Book 6489, Page 972, and by Deed dated August 4, 1994, of record in Deed Book 6489, Page 987, all in the Office of the Clerk of Jefferson County, Kentucky.

TOGETHER WITH the right to use in common with others the access easements set out in Declaration of Cross-Easement of record in Deed Book 5924, Page 754, as amended in Deed Book 6365, Page 106, both in the aforesaid Clerk's Office, and the access easements as shown on the plat attached to the Deed of record in Deed Book 6024, Page 302, in the aforesaid Clerk's Office, and the access easements as shown on the plat attached to the instrument of record in Mortgage Book 3030, Page 652, in the aforesaid Clerk's Office.

“EXHIBIT C”

WORK LETTER AGREEMENT

Gentlemen:

You (hereinafter called "Tenant") and we (hereinafter called "Landlord") are executing simultaneously with this Work Letter Agreement, a written lease (the "Lease") covering those certain premises more particularly described in Exhibit A to the Lease (hereinafter referred to as "Premises"), in the building having an address of 11405 Bluegrass Parkway, Louisville, Kentucky 40299.

This Exhibit C sets forth the work and costs of work required to complete the improvements to the Premises (the "Tenant Finish") so that the Premises are suitable for Tenant's continued occupancy in accordance with the Lease. To induce Tenant to enter into the Lease (which is hereby incorporated by reference to the extent that the provisions of this agreement may apply thereto) and in consideration of the mutual covenants hereinafter contained, Landlord and Tenant mutually agree as follows:

1. Landlord’s Work.

1.1 Description. Subject to the terms and conditions of this Work Letter Agreement, Landlord agrees to perform, at its sole cost and expense, the work to Substantially Complete (as such term is defined in Section 3 of this Work Letter Agreement) the following items on or before the dates provided below (provided Landlord is not delayed by Tenant’s failure to provide any approvals hereunder required with respect to the Approved Landlord’s Work Plans (as defined below) or other delay caused by Tenant or by Force Majeure) in accordance with the Approved Landlord’s Work Plans, as such term is defined below (the “Landlord’s Work”):

1.1.1 The following work shall be Substantially Completed within thirty (30) days after the full execution of the Lease by Landlord and Tenant:

A. Building Sewer System:

Landlord’s maintenance personnel shall clean all sewer drain lines and establish a preventative maintenance program to be monitored by Landlord’s maintenance personnel. Landlord shall report to Tenant regarding the condition of the drain lines as determined and observed during such initial cleaning. Any drain lines determined to be too severely clogged or damaged to benefit from cleaning will be replaced by Landlord as may be further described in subsection 1.1.4 (D) hereof.

1.1.2 The following work shall be Substantially Completed by Landlord within sixty (60) days after the later to occur of: (i) the Commencement Date of the Lease; and (ii) the date on which the Landlord’s Work Plans become the Approved Landlord’s Work Plans (the “Start Date”):

A. Exterior Window Modifications.

Landlord shall repair all leaks in exterior windows and cover all interior building window sills with a 6” x 3/8” laminate material, which material shall be approved by Tenant, provided, however, prior to repairing such leaks, Landlord shall consult with Tenant regarding the method used to make such repairs, and, if Tenant elects, Landlord shall use a method of repair that is chosen by Tenant, in its reasonable discretion. Landlord agrees that it shall be responsible for the costs to repair or replace any of such laminate material which becomes damaged by any such leaks for a period of six (6) years after the date of Substantial Completion of this item 1.1.2 (A).

B. Monument Sign:

Landlord shall install a new monument sign on Bluegrass Parkway utilizing a brick base with side panel lit up with uplights mounted on grade in front of the sign.

1.1.3 The following work shall be Substantially Completed by Landlord within ninety (90) days after the Start Date:

A. Loading Docks:

Landlord shall install a recessed scissor-lift mutually approved by Landlord and Tenant in the existing garage area.

1.1.4 The following work shall be Substantially Completed by Landlord within one hundred twenty (120) days after the Start Date:

A. Cafeteria Relocation and Upgrade:

Landlord shall move the dining area inside the Building to the rear of the Building and install new tile flooring and wallcovering, such wallcovering to be mutually approved by Landlord and Tenant;

Landlord shall make any changes to the existing dining and service areas necessary to support traffic changes to the area as a result of the relocation and upgrade of the cafeteria;

Landlord shall install a glass door and wall system which would match the existing Building storefront glass system for view onto courtyard;

B. Visitor’s Entrance:

Landlord shall either modify the existing entrance to the Building facing Bluegrass Parkway to extend the entranceway toward Bluegrass Parkway out from the Building, or shall create a new main entrance in the Building at another location, in accordance with the Approved Landlord's Work Plans;

The doorway shall be covered by Landlord by a decorative steel canopy mounted on a newly created entrance walkway covered with brick pavers or scored concrete which is to be extended to create a band of paving in front of the new entranceway;

Landlord shall install new landscaping at the new entranceway. Landlord shall add new interior finishes inside the new entranceway and remove the steel rails on the existing staircase and repaint the remaining structure. Landlord shall install a new railing system of polished metal and floorcap with continuous glass bands supporting the handrail and install ceramic tile, vinyl wallcovering, upscale lighting and a new receptionist's desk;

C. Employee Entrance:

Landlord shall transform the existing visitors' entrance at the rear of the Building to become the employee entrance with the same curbing and paver treatment used on the new visitor entrance, but without a vestibule or canopy;

D. Restrooms/Building Sewer System:

Landlord shall renovate existing restrooms by installing new sinks and faucets, new laminate counters and handicap accessible sloped vanities and replace existing lavatory partitions with new partitions. Landlord shall replace existing tile floors and walls with new tile to be mutually agreed upon by Landlord and Tenant;

If it is determined during the cleaning of the sewer drain lines that any drain lines need to be replaced as described in subsection 1.1.1(A), then Landlord shall replace such drain lines and shall coordinate such work with the renovation work to the restrooms described above.

E. HVAC Upgrades:

Landlord shall add five additional HVAC units to aid with conference rooms and areas requiring separate temperature controls; replace existing manual thermostats with new programmable thermostat allowing timed temperature settings and balance Building's HVAC system once all units are installed to maximize existing equipment in employee locations, tying all HVAC units to an automated Building control system. Landlord shall clean all existing HVAC duct work;

F. Parking Lot:

Landlord shall repair the parking lot and overlay with 1 ½” of new pavement and re-stripe parking lot as currently striped;

G. Sidewalk and Building Repairs:

Landlord shall replace cracked and deteriorated (in Landlord’s reasonable opinion) sidewalk areas around the Premises and seal and repair the existing expansion joint between the sidewalk and the face of the Building. Landlord shall replace all caulked joints in the brick face of the Building with caulk having a color of caulk which matches the colors of the Building and is approved by Tenant;

Notwithstanding the foregoing, Landlord shall use reasonable efforts to coordinate the work set forth in subsections 1.1.4 (B), (C), (F) and (G) with the Tenant’s Work and shall not proceed with any such work until the same has been coordinated with Tenant, who agrees to act reasonably and in good faith.

1.1.5 The following work shall be Substantially Completed within one hundred fifty (150) days after the Start Date:

A. Courtyard:

Landlord shall install or construct the following items:

Resurface the existing painted concrete block walls in the courtyard and receiving area with a heavy textured pigmented coating similar to stucco in a neutral color to be selected by Tenant;

Modify landscaping inside the courtyard to screen the walls of the courtyard by adding new trees along the perimeter that are all-consistent in size and mature enough to screen the view of the block walls;

Fill in the existing steel gate area with concrete block surface of the same material as the rest of the existing concrete block;

Install a new 6’x 8’ ornamental steel gate to be agreed upon by Landlord and Tenant to allow access for periodic maintenance to the courtyard;

Have painted a company specific motivational mural on the 20’ area of wall on the existing walkway from the dining room area to the courtyard, based upon an artists rendering to be provided by Tenant;

Install a decorative fountain, to be agreed upon by Landlord and Tenant, to the existing planter at the center of the courtyard with the water lines draining into the existing landscaping surrounding the fountain;

Install a decorative screen wall around the existing generator to block the view but not hamper operation and maintenance; provided that, at Tenant's option, Tenant may install a new generator in a location reasonably chosen by Tenant and approved by Landlord, which approval shall not be unreasonably withheld, in which case, Tenant may elect to have the wall constructed around such new generator;

Create a new outdoor dining area using pavers or scored concrete with new outdoor employee tables and seating with parasols mounted at each individual table outside the newly relocated employee dining room area, all covered by a decorative steel trellis-type structure and overlooking a terrace seating area surrounding a circular amphitheater-type gathering area to be used as a center point for outdoor meetings.

1.1.6 The following work shall be coordinated to be Substantially Completed with the Tenant's Work and shall not be commenced until such coordination with the Tenant Work has been determined, and Landlord and Tenant agree to act reasonably and in good faith to coordinate such work and the Tenant Work:

A. Ceiling Tiles:

Landlord shall replace all existing ceiling tiles using a 2'x4' ceiling tile that gives the appearance of a 2'x2' ceiling tile. Ceiling tile replacement shall be done in phases during business hours as directed by Tenant in order for Tenant to arrange for employees to be moved to a swing space while ceiling tiles in each area of the Building are being replaced. Landlord shall use reasonable efforts not to disrupt Tenant's business during ceiling tile replacement;

B. Computer Cabling (coordinate with TI and F):

Landlord shall replace all computer cabling with category 6 (CAT6) computer cabling (coordinating work with ceiling tile replacement) above ceiling tiles.

1.2 Landlord's Work Plans. Landlord, within 45 days after the full execution of the Lease, at its sole cost and expense, shall have the work described in subsections 1.1.2 through 1.1.6 above converted into detailed construction plans and specifications for Landlord's Work and shall submit such plans and specifications to Tenant for approval. Landlord's Work Plans shall be subject to Tenant's approval, which approval shall not be unreasonably withheld, conditioned or delayed. Tenant shall have twenty (20) business days from the date of receipt of Landlord's Work Plans either to approve same or to notify Landlord of its objections thereto, which objections shall be made in writing in sufficient detail and specificity, and with suggested changes that would be acceptable to Tenant, to enable Landlord to correct or cure same. Landlord shall have ten (10) business days after receipt of Tenant's written objections within which to have Landlord's Work Plans revised and submitted to Tenant for final approval. Tenant shall provide its final approval of the Landlord's Work Plans within ten (10) business days after receipt of such revised plans. Upon such approval, Landlord and Tenant shall each execute two (2) sets of the Landlord's Work Plans, with each party retaining one such set. When approved by Tenant as provided for herein, such plans and specifications shall become the "Approved Landlord's Work Plans". Landlord shall pay all costs for design fees for Landlord's Work. It is agreed that Landlord's obligation to substantially complete Landlord's Work by the dates provided above is subject to: (i) any failure by Tenant to furnish plans and specifications as provided for in Section 5 of this Work Letter Agreement; (ii) Tenant's request for materials, finishes or installations other than those included on the Approved Landlord's Work Plans; (iii) Tenant's request for changes in the Approved Landlord's Work Plans; or (iv) any delay by Tenant in responding to or approving Landlord's Work Plans within the time periods set forth in this subsection 1.2, or any delay caused by the inability of Landlord and Tenant to agree on final approval of Landlord's Work Plans.

2. Tenant's Work.

2.1 Tenant Improvement Allowance. Landlord shall make available to Tenant a Tenant Improvement Allowance in the amount of Two Million Dollars ($2,000,000) (the "Tenant Improvement Allowance") as provided for in Paragraph 1.V. of the Lease which shall be held in an Escrow Account (over which Landlord shall exercise disbursement authority) and disbursed in accordance with this Section 2 to be utilized to pay for Tenant's Work (as defined hereafter). "Tenant's Work" shall mean and include all work and improvements to the Premises in accordance with the Approved Tenant's Work Plans (as defined below) including telecommunications and data equipment, to the extent same are included in the Approved Tenant's Work Plans. The Tenant Improvement Allowance may be utilized to pay the cost of space planning, development of any and all construction-related plans, specifications and drawings, physical improvements to the Premises, signage, telecommunication and data expenses, information service expenses, interior decorating fees and furniture for the Premises and to pay for any other costs included in completing Tenant's Work. Any work or items not specified in this Subsection 2.1, or in excess of the Approved Tenant's Work Plans, shall be performed by Tenant at its sole cost and expense, but shall still require Landlord's prior written consent. In the event that Tenant requires Landlord to perform any of Tenant's Work, whether utilizing the Tenant Improvement Allowance or Tenant's own funds, Landlord shall be entitled to be paid a construction management fee equal to 5.9% of all costs of construction (hard and soft) of that portion of the Tenant's Work which Landlord performs, payable to Landlord pursuant to construction draws submitted in a manner similar to the draw requests required by Tenant for disbursal of its Tenant Improvement Allowance as provided herein; provided, however, Landlord shall receive a 3% construction management fee for any change orders which are a part of the Tenant's Work which Landlord actually performs. The Tenant Improvement Allowance shall be disbursed to Tenant on a monthly basis upon written request by Tenant on AIA Form G-702 (or such other form as Landlord and Tenant may mutually agree to use) accompanied by invoices, partial lien waivers and Tenant's contractor's or architect's certification that the work for which the draw is requested is Substantially Complete (as such term is defined below), and such other back-up documentation as Landlord may reasonably request (provided that Tenant's draw request which is submitted for the last draw on Tenant's Improvement Allowance shall be accompanied by final lien waivers); provided, however, to the extent Landlord performs the Tenant's Work, Landlord shall be responsible for obtaining the accompanying documents and information required by this sentence as a part of its construction management duties.

2.2 Performance of Tenant's Work. In the event that Tenant contracts for the completion of Tenant's Work with someone other than Landlord: (a) Tenant shall provide construction documents for Landlord's review and prior written approval before commencing construction; (b) Tenant shall agree that all of Tenant's Work shall be completed in a good and workman like manner in accordance with the terms of the Lease, the Approved Tenant's Work Plans and will comply with all applicable local, state and federal laws, ordinances, codes and regulations including, but not limited to the Americans with Disabilities Act of 1990, as amended; and (c) Tenant shall also obtain Landlord's prior written approval of Tenant's contractor and any sub-contractors performing work in excess of $25,000.00.

2.3 Cost of Tenant's Work. Any of Tenant's Work which Tenant requires Landlord to perform which is in excess of the Tenant Improvement Allowance, or is to be paid for by Tenant using Tenant's own funds, shall be at the sole cost of Tenant and payable on a monthly basis to Landlord.

2.4 Completion of Tenant's Work. Tenant's Work may be performed throughout the Term after Tenant's Work Plans have become the Approved Tenant's Work Plans in accordance with the terms of subsection 5.2 hereof, at the discretion of Tenant, provided that Tenant's Work shall be Substantially Completed and all of the Tenant Improvement Allowance utilized within twenty four (24) months after the Commencement Date of the Lease ("Tenant Allowance Stop Date"); provided, however, that if all of Tenant's Work has not been Substantially Completed and all of the Tenant Improvement Allowance utilized within twelve (12) months after the Commencement Date of the Lease, any amount of the Tenant Improvement Allowance which remains in Landlord's Escrow Account as of such date may be transferred by Landlord to an operating account and may be utilized by Landlord for any purpose whatsoever (which utilization by Landlord shall not reduce the total amount of Tenant Improvement Allowance to which Tenant is entitled hereunder) unless and until Tenant shall request a disbursement thereof (or portion thereof) prior to the Tenant Allowance Stop Date in the same manner and in compliance with the terms set forth in subsection 2.1 hereof for disbursements from Landlord's Escrow Account. Any amount of the Tenant Improvement Allowance remaining in Landlord's operating account after the Tenant Allowance Stop Date shall be disbursed to Landlord within ten (10) days thereafter. If Tenant requires Landlord to perform Tenant's Work hereunder, any delay in performing such work shall extend the time for Tenant's Work to be Substantially Completed, unless such delay is caused by Tenant or by Force Majeure.

3. Substantial Completion. The Landlord's Work and the Tenant's Work, as applicable, shall be deemed "Substantially Complete" or "Substantially Completed", as provided above, when such work is completed subject only to "punch list items" which are details of construction, decoration and mechanical and electrical adjustments which, in the aggregate, are minor or insubstantial in character. Landlord and Tenant shall each give the other a seven (7) day notice prior to Landlord's Work or Tenant's Work, as the case may be, being Substantially Completed so that Landlord and Tenant can inspect the Premises within said seven (7) day period for purposes of compiling a list of punch list items (the "Punch List"). Landlord and/or Tenant, as applicable, shall be obligated to begin correcting and diligently pursue the correction of Punch

List items after completion of the Punch List, and shall complete the Punch List items within thirty (30) days.

4. Warranty. Landlord shall warrant that the Landlord’s Work will be free from defects in workmanship or material for a period of one (1) year (except for the windowsills, which shall have a period of six (6) years) following the date on which Landlord’s Work shall be Substantially Complete; provided, however, if Landlord obtains a warranty reasonably acceptable to Tenant from the Contractors (as defined herein) Tenant shall accept such warranty and look only to the Contractors for such warranty. If within one (1) year after the Substantial Completion of Landlord’s Work (within six (6) years for the windowsills) any part of such improvements is found not to be in compliance with the foregoing warranties, the Landlord shall promptly correct the noncompliance at their own expense after receipt of written notice from Tenant. Tenant shall give any such notice promptly after discovery of the objectionable condition.

5. Plans and Specifications.

5.1 Tenant Finish. "Landlord’s Work" shall mean and include all work and improvements to the Premises described in Section 1.1 hereof, which shall be more particularly described in the Approved Landlord’s Work Plans. Any work in excess of the Approved Landlord’s Work Plans shall be performed by Tenant utilizing the Tenant Improvement Allowance, or at Tenant’s sole cost and expense, pursuant to the terms of Section 2 hereof. The Landlord’s Work shall be performed with materials of the type and quality specified in the Approved Landlord’s Work Plans. “Tenant’s Work” shall mean and include all work and improvements to the Premises described in Section 2.1 hereof, which shall be more particularly described in the Approved Tenant’s Work Plans. The Tenant’s Work shall be performed with materials of the type and quality specified in the Approved Tenant’s Work Plans, which shall be consistent with other comparable office buildings located in the Blankenbaker Industrial Park area in Louisville, Kentucky.

5.2 Tenant Work Plans. Tenant shall cause its architect to develop and prepare complete plans and specifications for Tenant’s Work (the "Tenant’s Work Plans"), the cost of which shall be paid using the Tenant Improvement Allowance, for all anticipated improvements to the interior and exterior of the Building, including, without limitation, architectural, plumbing, mechanical, electrical and engineering plans and detailed specifications for all mechanical and electrical work, communication, data, and space planning for all improvements including location of doors, partitioning, reflected ceiling tiles, outlets and switches, telephone outlets, extraordinary floor requirements (in excess of 70 pounds per square foot) and other special requirements as necessary for the Tenant’s Work. Tenant shall submit the Tenant’s Work Plans to Landlord within one hundred twenty (120) days after the Commencement Date of the Lease. The Tenant’s Work Plans shall be subject to Landlord’s prior written approval, which approval shall not be unreasonably withheld, conditioned or delayed. The Tenant’s Work Plans shall provide that all work comply with all laws, statutes, ordinances, rules or regulations of any governmental authority applicable to the Building. During the course of preparation of Tenant's Plans, Tenant shall consult with Landlord’s architects and engineers and seek Landlord’s advice concerning the Tenant’s Work to be constructed pursuant thereto so as to avoid any unnecessary delays which may result due to incompatibility between Tenant's Work Plans and the Landlord’s

Work Plans, or due to the inability to obtain materials, and Landlord agrees to so consult with and advise Tenant during the course of preparation of Tenant's Plans. Landlord shall have ten (10) business days from the date of receipt of the Tenant's Work Plans either to approve same or to notify Tenant of its objections thereto, which objections shall be made in writing in sufficient detail and specificity and with suggested changes that would be acceptable to Landlord, to enable Tenant to correct or cure same. Tenant shall have twenty (20) business days after receipt of Landlord's written objections within which to have the Tenant's Work Plans revised and submitted to Landlord for final approval. Upon such approval, Landlord and Tenant shall each execute two (2) sets of the Tenant's Work Plans, with each party retaining one such set. The Tenant's Work Plans, when approved by Landlord, are referred to herein collectively as the "Approved Tenant's Work Plans."

5.3 Approved Plans. The Approved Landlord's Work Plans and Approved Tenant's Work Plans may sometimes be referred to herein as the "Approved Plans". The Approved Plans shall be designed and stamped by registered representatives in their respective fields of discipline at Landlord's or Tenant's expense as set forth in this Work Letter Agreement. Landlord shall be entitled in all respects to rely upon the Approved Plans and any and all other plans, drawings and information as may be supplied by Tenant. The Approved Plans shall be in compliance with applicable building codes, the Americans with Disabilities Act of 1990, as amended, and insurance regulations for a fire resistant Class A building, and shall be in a form satisfactory for filing with appropriate governmental authorities for permits and licenses required for construction. Except for any warranty expressly provided by Landlord for Landlord's Work as required in Section 4 hereof, Landlord's approval of the Tenant's Work Plans shall not in any way be construed as a warranty by Landlord to Tenant with respect to any of the Tenant Finish. Landlord and Tenant acknowledge and agree that time is of the essence in arriving at the Approved Plans.

6. Construction of Landlord's Work.

6.1 Contracting. Landlord shall select the contractors to perform the Landlord's Work to the Premises and shall enter into agreements with its contractors (the "Contractors") to complete the Landlord's Work substantially in accordance with the Approved Landlord's Work Plans.

6.2 Construction Work. Landlord shall have the Landlord's Work completed in accordance with the Approved Landlord's Work Plans. All change orders to the Approved Landlord's Work Plans must be approved in writing by Landlord and Tenant, which approval shall not be unreasonably withheld, conditioned or delayed and shall include the estimated cost of such change order. Upon approval of a proposed change order, the Approved Landlord's Work Plans shall be deemed revised to incorporate the change order.

In the event any change orders to either the Approved Landlord's Work Plans and/or the Approved Tenant's Work Plans result in an increase in the costs of the work to be done thereunder, such increase in costs shall be shall be paid for by Tenant at its sole cost and expense on a monthly basis within ten (10) days after the end of the month to Landlord (if the change order relates to Landlord's Work or to Tenant's Work being performed by Landlord), or to Tenant's contractor prior to such amount becoming delinquent. Any such amounts to be paid by Tenant with respect to the Approved Tenant Work Plans may be paid for out of the Tenant Improvement Allowance.

This Work Letter Agreement has been executed by Landlord and Tenant as of _______, 2005.

"Tenant"

SHPS, INC., a Florida corporation

By: ________________________________
Print Name

Title: ______________________________

"Landlord"

NTS REALTY HOLDINGS LIMITED PARTNERSHIP, a Delaware limited partnership

By: NTS Realty Capital, Inc., a Delaware corporation, managing general partner

By: ___________________________
Print Name

Title: __________________________

"EXHIBIT D"

RULES AND REGULATIONS

1. No sign, placard, picture, advertisement, name or notice shall be installed or displayed on any part of the outside or inside of the Building without the prior written consent of Landlord. Landlord shall have the right to remove, at Tenant's expense and without notice, any sign installed or displayed in violation of this rule. All approved signs or lettering on doors and walls shall be printed, painted, affixed or inscribed at the expense of Tenant by a person chosen by Landlord.

2. If Landlord objects in writing to any curtains, blinds, shades, screens or hanging plants or other similar objects attached to or used in connection with any window or door of the Premises, Tenant shall immediately discontinue such use. No awning shall be permitted on any part of the Premises. Tenant shall not place anything against or near glass partitions or doors or windows which may appear unsightly, in the judgment of Landlord, from outside the Premises.

3. Tenant shall not obstruct any sidewalks, halls, passages, exits, entrances, elevators, escalators or stairways of the Building. The halls, passages, exits, entrances, shopping malls, elevators, escalators and stairways are not for the general public and Landlord shall in all cases retain the right to control and prevent access thereto of all persons whose presence in the judgment of Landlord would be prejudiced to the safety, character, reputation and interests of the Building and its tenants; provided that nothing herein contained shall be construed to prevent such access to persons with whom any tenant normally deals in the ordinary course of its business, unless such persons are engaged in illegal activities. No Tenant and no employee or invitee of any Tenant shall go up on the roof of the Building, except as otherwise provided in the Lease.

4. Except as otherwise provided in the Tenant's Lease, all daily cleaning and janitorial services for the Building and the Premises shall be provided by Tenant in accordance with the janitorial specification attached to Tenant's Lease as <u>Exhibit F</u>. Landlord shall not in any way be responsible to any Tenant for any loss of property on the Premises, however occurring, or for any damage to any tenant's property by the janitor.

5. Landlord will furnish Tenant, free of charge, with one set of keys to each door lock to the Building or in the Premises, if any, and/or one (1) security card for any card reader lock system on the exterior Building doors. Landlord may make a reasonable charge for any additional keys and cards. Tenant shall not alter any lock or security card reader or install a new additional lock or bolt on any door of its Premises. Tenant, upon the termination of its tenancy, shall deliver to Landlord the keys and cards to all doors which have been furnished to Tenant, and in the event of loss of any cards and/or keys so furnished, shall pay Landlord therefor.

6. Except for regular or overnight mail and other such deliveries, all equipment, furniture, supplies, merchandise and other packages shall be received at the rear loading dock and carried only in the freight elevators.

7. Tenant shall not place a load upon any floor of the Premises which exceeds the load per square foot which such floor was designed to carry and which is allowed by law. Landlord shall have the right to prescribe the weight, size and position of all equipment, materials, furniture or other property brought into the Building. Heavy objects shall, if considered necessary by Tenant, stand on such platforms as determined by Landlord to be necessary to properly distribute the weight. Business machines and mechanical equipment belonging to Tenant, which causes noise or vibration that may be transmitted to the structure of the Building or to any space therein to such a degree as to be objectionable to Landlord or to any Tenant's expense, on vibration eliminators or other devices sufficient to eliminate noise or vibration. The persons employed to move such equipment in or out of the Building must be acceptable to Landlord. Landlord will not be responsible for loss of, or damage to, any such equipment or other property from any cause, and all damage done to the Building by maintaining or moving such equipment or other property shall be repaired at the expense of Tenant.

8. Tenant shall not use or keep in Premises any kerosene, gasoline or inflammable or combustible fluid or material other than those limited quantities necessary for the operation or maintenance of office equipment. Tenant shall not use or permit to be used in the Premises any foul or noxious gas or substance, or permit or allow the Premises to be occupied or used in a manner offensive or objectionable to Landlord or other occupants of the project by reason of noise, odors or vibrations, nor shall Tenant bring into or keep on or about the Premises any birds or animals.

9. Tenant shall not use any method of heating or air-conditioning other than that supplied by Landlord, except for supplemental HVAC equipment installed by Tenant in accordance with the terms of the Lease.

10. Tenant agrees to cooperate fully with Landlord to assure the most effective operation of the Building's heating and air-conditioning and to comply with any governmental energy-saving rules, laws or regulations of which Tenant has actual notice, and shall refrain from attempting to adjust controls other than room thermostats installed for Tenant's use.

11. Landlord reserves the right, exercisable without liability to Tenant, to change the street address of the Building if required to do so by any governmental agency, and shall give prior written notice thereof to Tenant.

12. Tenant shall be responsible for all persons for whom it requests keys, passes or special key cards and shall be liable to Landlord for all acts of such persons. Landlord reserves the right to prevent access to the Building in case of invasion, mob, riot, public excitement or other commotion by closing the doors or by other appropriate action.

13. Tenant shall close and lock the doors of its Premises and entirely shut off all water faucets or other water apparatus, and electricity, gas or air outlets before Tenant and its employees leave the Premises.

14. The plumbing system, toilet rooms, toilets, urinals, wash bowls, appliances and other apparatus shall not be used for any purpose other than that for which they were constructed and no foreign substance of any kind whatsoever shall be thrown therein. The expense of any breakage, stoppage or damage resulting from the violation of this rule shall be borne by the Tenant.

15. Tenant shall not in any way deface the Premises or any part thereof. Landlord reserves the right to direct electricians as to where and how telephone, facsimile and computer wires are to be introduced to the Premises. Tenant shall not cut or bore holes for wires. Tenant shall repair any damage resulting from noncompliance with this rule.

16. Canvassing, soliciting and distribution of handbills or any other written material, and peddling in the Building are prohibited, and Tenant shall cooperate to prevent same.

17. Landlord reserves the right to exclude or expel from the Building any person who, in Landlord's judgment, is intoxicated or under the influence of liquor or drugs or who is in violation of any of the Rules and Regulations of the Building.

18. Tenant shall store all its trash and garbage within its Premises. Tenant shall not place in any trash box or receptacle any material which cannot be disposed of in the ordinary and customary manner of trash and garbage disposal. All garbage and refused disposal shall be made in accordance with directions issued from time to time by Landlord.

19. The Premises shall not be used for the storage of merchandise held for sale to the general public, or for lodging or for manufacturing of any kind, nor shall the Premises be used for any improper, immoral or objectionable purpose. Except for Tenant's cafeteria operation for which it is solely responsible, no cooking shall be done or permitted by Tenant on the Premises, except that use by Tenant of Underwriters Laboratory approved equipment for brewing coffee, tea, hot chocolate, and similar beverages or for microwaving food shall be permitted, provided that such equipment and use is in accordance with all applicable federal, state, county and city laws, codes, ordinances, rules and regulations.

20. Tenant shall not use in any space or in the public halls of the Building any hand trucks except those equipped with rubber tires and side guards or such other material-handing equipment as Landlord may approve. Tenant shall not bring any other vehicles of any kind into the Building.

21. Without the written consent of Landlord, Tenant shall not use the name of the Building in connection with or in promoting or advertising the business of Tenant except as Tenant's address.

22. Tenant shall comply with all safety, fire protection and evacuation procedures and regulations established by Landlord or any governmental agency.

23. Tenant assumes any and all responsibility for protecting its Premises from theft, robbery and pilferage, which includes keeping doors locked and other means of entry to the Premises closed.

24. The requirements of Tenant will be attended to only upon appropriate request to Landlord's property management and/or maintenance personnel in accordance with the terms of the Lease.

25. Tenant shall use the parking areas only for regular and occasional parking, not longtime storage of vehicles, and shall not park any vehicles in the Building parking areas other than automobiles, motorcycles, motor driven or non-motor driven bicycles or four-wheeled trucks.

26. Landlord may waive any one or more of these Rules and Regulations for the benefit of Tenant or any other tenant, but no such waiver by Landlord shall be construed as a further waiver of such Rules and Regulations in favor of Tenant or any other tenant, nor prevent Landlord from thereafter enforcing any such Rules and Regulations against any or all of the tenants of the Building.

27. These Rules and Regulations are in addition to, and shall not be construed to in any way modify or amend, in whole or in part, the terms, covenants, agreements and conditions of any lease of premises in the Building.

28. Tenant shall be responsible for the observance of all of the foregoing rules by Tenant's employees, agents, clients, customers, invitees and guests.

29. Employees of Tenant shall not smoke in any areas of the Building. However, Tenant may permit smoking within the courtyard area.

EXHIBIT E

RECORDING REQUESTED BY

____

WHEN RECORDED MAIL TO

The Northwestern Mutual Life Ins. Co.
720 East Wisconsin Ave. - Rm N16WC
Milwaukee, WI 53202
Attn:
Loan No. SPACE ABOVE THIS LINE FOR RECORDER'S USE

NON-DISTURBANCE AND ATTORNMENT AGREEMENT

THIS AGREEMENT is entered into as of ______________, 20__, between_ ___________, whose mailing address is _________________, ("Tenant"), ______ ______, whose mailing address is _________________, ("Borrower"), and THE NORTHWESTERN MUTUAL LIFE INSURANCE COMPANY, a Wisconsin corporation ("Lender"), whose address for notices is 720 East Wisconsin Avenue, Milwaukee, WI 53202, Attention: Real Estate Investment Department, Reference Loan No. _________.

RECITALS

A. Tenant is the lessee or successor to the lessee, and Borrower is the lessor or successor to the lessor under a certain lease dated _______, 20 (the "Lease").

B. Lender has made, or will make, a mortgage loan to be secured by a mortgage, deed to secure a debt or deed of trust from Borrower for the benefit of Lender (as it may be amended, restated or otherwise modified from time to time, the "Lien Instrument") encumbering the fee title to and/or leasehold interest in the land described in Exhibit A attached hereto and the improvements thereon (collectively, the "Property"), wherein the premises covered by the Lease (the "Demised Premises") are located.

C. Borrower and Lender have executed, or will execute, an Absolute Assignment of Leases and Rents (the "Absolute Assignment"), pursuant to which (i) the Lease is assigned to Lender and (ii) Lender grants a license back to Borrower permitting Borrower to collect all rents, income and other sums payable under the Lease until the revocation by Lender of such license, at which time all rents, income and other sums payable under the Lease are to be paid to Lender.

D. Lender has required the execution of this Agreement by Borrower and Tenant as a condition to Lender making the requested mortgage loan or consenting to the Lease.

E. Tenant acknowledges that, as its consideration for entering into this Agreement, Tenant will benefit by entering into an agreement with Lender concerning Tenant's relationship with any purchaser or transferee of the Property (including Lender) in the event of foreclosure of the Lien Instrument or a transfer of the Property by deed in lieu of foreclosure (any such purchaser or transferee and each of their respective successors or assigns is hereinafter referred to as "Successor Landlord").

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Tenant, Borrower and Lender agree as follows:

1. Tenant and Borrower agree for the benefit of Lender that:

(a) Tenant shall not pay, and Borrower shall not accept, any rent or additional rent more than one month in advance;

(b) Except as specifically provided in the Lease, Tenant and Borrower will not enter into any agreement for the cancellation of the Lease or the surrender of the Demised Premises without Lender's prior written consent;

(c) Tenant and Borrower will not enter into any agreement amending or modifying the Lease without Lender's prior written consent, except for amendments or modifications specifically contemplated in the Lease for confirming the lease commencement date, the rent commencement date, the term, the square footage leased, the renewal or extension of the Lease, or the leasing of additional space at the Property;

(d) Tenant will not terminate the Lease because of a default thereunder by Borrower unless Tenant shall have first given Lender written notice and a reasonable opportunity to cure such default;

(e) Tenant, upon receipt of notice from Lender that it has exercised its rights under the Absolute Assignment and revoked the license granted to Borrower to collect all rents, income and other sums payable under the Lease, shall pay to Lender all rent and other payments then or thereafter due under the Lease, and any such payments to Lender shall be credited against the rent or other obligations due under the Lease as if made to Borrower;

(f) Tenant will not conduct any dry cleaning operations on the Demised Premises using chlorinated solvents nor will Tenant use any chlorinated solvents in the operation of their business on the Demised Premises; and

(g) Tenant shall pay any and all termination fees due and payable under the Lease directly to Lender.

2. The Lease is hereby subordinated in all respects to the Lien Instrument and to all renewals, modifications and extensions thereof, subject to the terms and conditions hereinafter set forth in this Agreement, but Tenant waives, to the fullest extent it may lawfully do so, the provisions of any statute or rule of law now or hereafter in effect that may give or purport to give it any right or election to terminate or otherwise adversely affect the Lease or the obligations of Tenant thereunder by reason of any foreclosure proceeding.

3. Borrower, Tenant and Lender agree that, unless Lender shall otherwise consent in writing, the fee title to, or any leasehold interest in, the Property and the leasehold estate created by the Lease shall not merge but shall remain separate and distinct, notwithstanding the union of said estates either in Borrower or Tenant or any third party by purchase, assignment or otherwise.

4. If the interests of Borrower in the Property are acquired by a Successor Landlord:

(a) If Tenant shall not then be in default in the payment of rent or other sums due under the Lease or be otherwise in material default under the Lease, the Lease shall not terminate or be terminated and the rights of Tenant thereunder shall continue in full force and effect except as provided in this Agreement;

(b) Tenant agrees to attorn to Successor Landlord as its lessor; Tenant shall be bound under all of the terms, covenants and conditions of the Lease for the balance of the term thereof, including any renewal options which are exercised in accordance with the terms of the Lease;

(c) The interests so acquired shall not merge with any other interests of Successor Landlord in the Property if such merger would result in the termination of the Lease;

(d) If, notwithstanding any other provisions of this Agreement, the acquisition by Successor Landlord of the interests of Borrower in the Property results, in whole or part, in the termination of the Lease, there shall be deemed to have been created a lease between Successor Landlord and Tenant on the same terms and conditions as the Lease, except as modified by this Agreement, for the remainder of the term of the Lease with renewal options, if any; and

(e) Successor Landlord shall be bound to Tenant under all of the terms, covenants and conditions of the Lease, and Tenant shall, from and after Successor Landlord's acquisition of the interests of Borrower in the real estate, have the same remedies against Successor Landlord for the breach of the Lease that Tenant would have had under the Lease against Borrower if the Successor Landlord had not succeeded to the interests of Borrower; provided, however, that Successor Landlord shall not be:

(i) Liable for the breach of any representations or warranties set forth in the Lease or for any act, omission or obligation of any landlord (including Borrower) or any other party occurring or accruing prior to the date of Successor Landlord's acquisition of the interests of Borrower in the Demised Premises, except for any repair and maintenance obligations of a continuing nature as of the date of such acquisition;

(ii) Liable for any obligation to construct any improvements in, or make any alterations to, the Demised Premises, or to reimburse Tenant by way of allowance or otherwise for any such improvements or alterations constructed or made, or to be constructed or made, by or on behalf of Tenant in the Demised Premises;

(iii) Subject to any offsets or defenses which Tenant might have against any landlord (including Borrower) prior to the date of Successor Landlord's acquisition of the interests of Borrower in the Demised Premises;

(iv) Liable for the return of any security deposit under the Lease unless such security deposit shall have been actually deposited with Successor Landlord;

(v) Bound to Tenant subsequent to the date upon which Successor Landlord transfers its interest in the Demised Premises to any third party;

(vi) Liable to Tenant under any indemnification provisions set forth in the Lease; or

(vii) Liable for any damages in excess of Successor Landlord's equity in the Property.

The provisions of this paragraph shall be effective and self-operative immediately upon Successor Landlord succeeding to the interests of Borrower without the execution of any other instrument.

5. Tenant represents and warrants that Tenant, all persons and entities owning (directly or indirectly) an ownership interest in Tenant and all guarantors of all or any portion of the Lease: (i) are not, and shall not become, a person or entity with whom Lender is restricted from doing business with under regulations of the Office of Foreign Asset Control ("OFAC") of the Department of the Treasury (including, but not limited to, those named on OFAC's Specially Designated and Blocked Persons list) or under any statute, executive order (including, but not limited to, the September 24, 2001 Executive Order Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action; (ii) are not knowingly engaged in, and shall not engage in, any dealings or transaction or be otherwise associated with such persons or entities described in (i) above; and (iii) are not, and shall not become, a person or entity whose activities are regulated by the International Money Laundering Abatement and Financial Anti-Terrorism Act of 2001 or the regulations or orders thereunder.

6. This Agreement may not be modified orally or in any other manner except by an agreement in writing signed by the parties hereto or their respective successors in interest. In the event of any conflict between the terms of this Agreement and the terms of the Lease, the terms of this Agreement shall prevail. This Agreement shall inure to the benefit of and be binding upon the parties hereto, their respective heirs, successors and assigns, and shall remain in full force and effect notwithstanding any renewal, extension, increase, or refinance of the indebtedness secured by the Lien Instrument, without further confirmation. Upon recorded satisfaction of the Lien Instrument, this Agreement shall become null and void and be of no further effect.

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

TENANT:

By:

Attest:

Secretary

Add appropriate acknowledgment for Tenant.

(Signatures of Borrower and Lender continued on following pages)

(Signatures continued)

BORROWER:

By:

Attest:

Secretary

Add appropriate acknowledgment for Borrower.

(Signature of Lender continued on following pages)

(Signatures continued)

LENDER: THE NORTHWESTERN MUTUAL LIFE INSURANCE COMPANY, a Wisconsin corporation

By: Northwestern Investment Management Company, LLC, a Delaware limited liability company, its wholly-owned affiliate and authorized representative

By:______________

, Managing Director

Attest:___________

, Assistant Secretary

Add appropriate acknowledgment for Northwestern
Add scriveners statement

EXHIBIT "A"

(Description of Property)

EXHIBIT F
Janitorial and Carpet Maintenance

Daily Cleaning Requirements:

- Dust horizontal surfaces of desks, tables, chairs, window sills, pictures and all permanent office furnishings.
- Damp clean horizontal surfaces for removal of spillage, marks, and food/drink rings.
- Empty all trash receptacles and remove trash to a collection point. Damp wipe spills.
- Vacuum all carpeting including foot grills, corners and edges. Rearrange conference chairs.
- Clean, polish, and sanitize drinking fountains.
- Clean fingerprints and smudges from entrance glass, partitions, counters, walls and jambs.
- Sweep and mop hard surface floors and stairways with chemically treated mop head.
- Spot wash hard surface floors to remove stains or spillage marks; Damp mop all entry ways and dining room.
- Spray Buff all hard surface floors (add wax if needed).
- Clean elevator cabs, doors and floors.
- Wipe dining room tables; microwaves, general service areas. Insure chairs and pedestals/legs free of debris or spills. Sweep and mop food serving area; buff as needed.
- Clean microwaves nightly.
- Proved a Day-Porter for an 8 hours shift. Their main responsibility but not limited to cleaning of all restrooms, lobbies and empting of trash in cafeteria.

Restroom

- Empty trash receptacles and wash.
- Empty sanitary napkin receptacle and wipe, using a disinfectant.
- Clean and polish dispensers, mirrors, and fixtures.
- Clean and disinfect wash basins, commodes, top and bottom of seats and urinals.

- Wash with a germicidal detergent.
- Dust top of partitions, mirrors and fixtures.
- Restock all paper products and hand soap.
- Sweep and mop floors.

Weekly Cleaning Schedule:

- Food service area (behind serving line) floor scrub, after 3:00 pm.
- High dusting, such as air vents, door sills, ceiling corners and edges, etc.
- Scrub all epoxy/ceramic floors.

Semi-Annual Cleaning Schedule:

- Strip and re-wax all hard flooring, including all kitchen prep and serving areas.

Equipment and Supplies:

- Tenant or its contractor will provide chemicals, equipment, all the restroom use products; hand soap and trash can liners, labor and supervision.

CARPET MAINTENANCE PROGRAM

High Traffic Areas:

- Monthly spot cleaning
- Monthly light moisture cleaning
- Quarterly deep pile extraction

Medium Traffic Areas:

- Monthly spot cleaning
- Quarterly light moisture cleaning
- Semi-annual deep pile extraction

<u>Low Traffic Areas:</u>

- Monthly spot cleaning
- Semi-annual deep pile extraction

High Traffic Areas:	**All aisles and stairwells**
Medium Traffic Areas:	**All cubicles**
Low Traffic Areas:	**All offices**

EXHIBIT G

NON-DISCLOSURE AND CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement (the "Agreement") is entered into as of ___________, by and between SHPS, Inc. ("SHPS"), and NTS Realty Holdings Limited Partnership ("NTS").

Whereas, SHPS desires that NTS provide on-site maintenance services pursuant to the Lease Agreement entered into between SHPS and NTS dated _______ for lease of the premises at 11405 Bluegrass Parkway, Louisville, KY 40299.

Whereas, in the course of conducting on-site maintenance services, NTS may be exposed to certain Protected Health Information and/or certain SHPS Information relating to SHPS' business operations.

Now, Therefore, in consideration of the foregoing and of the mutual promises and agreements contained herein, the parties hereto agree as follows:

1. **Definitions**

   A. **HIPAA**. The Health Insurance Portability and Accountability Act of 1996.

   B. **Protected Health Information (or "PHI")**. For the purposes of this Agreement, "Protected Health Information" shall have the same meaning as the term "protected health information" in 45 C.F.R. 164.501 of the HIPAA privacy regulations, limited to the information created or received by SHPS from or on behalf of its clients.

   C. **SHPS Information.** For the purposes of this Agreement, "SHPS Information" includes but is not limited to all confidential or proprietary information belonging to SHPS or to any client or prospective client of SHPS or to any third party with which SHPS conducts business.

2. **Confidentiality of Information**. NTS agrees that it and its personnel working in SHPS' offices may overhear, see, or otherwise inadvertently learn of PHI and/or SHPS Information. Such information will be maintained in strict confidence by NTS and its personnel, using such degree of care as is appropriate to avoid unauthorized use or disclosure, and NTS will not make such PHI or SHPS Information available to any other party. NTS agrees that neither PHI nor SHPS Information may be further used or disclosed for any reason whatsoever. In addition, NTS agrees that it will immediately notify SHPS of any and all instances of which it is aware in which the confidentiality of either PHI or SHPS Information has been breached. NTS further agrees to take whatever steps are necessary to mitigate any harmful effect of a disclosure by NTS or its personnel of PHI and/or SHPS Information.

3. **Indemnification**. NTS agrees to indemnify, defend, and hold SHPS and its directors, officers and employees harmless from any and all claims, lawsuits, settlements, judgments, costs, penalties and expenses (including attorneys' fees) resulting from or arising out of a violation of the terms and conditions in this Agreement.

4. **Remedies**. NTS acknowledges and agrees that any breach, or threatened breach, of this Agreement shall result in irreparable harm and substantial damages to SHPS. Accordingly, without prejudice to the rights and remedies otherwise available to SHPS, NTS agrees that SHPS

shall be entitled to equitable relief by way of injunction if NTS breaches or threatens to breach any of the provisions of this Agreement. It is further understood and agreed that no failure or delay by SHPS in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other remedy or the exercise thereof, or the exercise of any right, power or privilege hereunder.

5. **Survival of Agreement**. The terms of this Non-Disclosure and Confidentiality Agreement will survive the termination of this Agreement.

6. **Miscellaneous**.

   a) This Agreement shall be governed by and construed in accordance with the laws of the state of Kentucky without regard to its principles of conflicts of laws.

   b) This Agreement binds the parties and their respective successors, assigns, agents, employers, subsidiaries and affiliates.

   c) This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed an original.

In witness whereof, the parties have caused this Agreement to be executed by their duly authorized representatives as of the day and year set forth above.

Dated at Louisville, Kentucky this ______ day of ________________________, 20____.

SHPS, INC.

By ____
Name:
Title:

Dated at ________________ this _____ day of________________________ , 20____.

NTS REALTY HOLDINGS LIMITED PARTNERSHIP, a Delaware limited partnership

By: NTS Realty Capital, Inc., a Delaware corporation, managing general partner

By:____________________________

Title: __________________________

Exhibit 14.01

CODE OF CONDUCT AND ETHICS

NTS REALTY HOLDINGS LIMITED PARTNERSHIP

Adopted as of December 28, 2004

This Code of Conduct and Ethics (this "Code") shall apply to all directors and officers, or persons performing similar functions, and all employees (collectively, the "Covered Persons") of NTS Realty Holdings Limited Partnership (the "Partnership"). Covered Persons have an obligation to the Partnership, its investors and the investment community in general to maintain the highest standards of honest and ethical conduct. In recognition of this obligation, the Covered Persons have adopted the following standards of ethical conduct. Adherence to these standards is integral to achieving the objectives of the Partnership and its investors. None of the Covered Persons shall commit acts contrary to these standards nor shall they condone the commission of such acts by advisors, agents or others engaged by the Partnership.

General Standards and Compliance with Laws

The Covered Persons have a responsibility to:

- Maintain high standards of honest and ethical conduct.
- Act in good faith, responsibly and without misrepresenting material facts or allowing their independent judgment to be compromised.
- Refrain from engaging in any activity that would prejudice their ability to carry out their duties ethically.
- Refrain from engaging in or supporting any activity that would discredit the Partnership.
- Comply with rules and regulations of federal, state and local governments, and appropriate private and public regulatory agencies or organizations.

Avoidance of Conflicts of Interest and Improper Influences

The Covered Persons have a responsibility to:

- Avoid actual or apparent conflicts of interest between personal and Partnership-related relationships. In particular, Covered Persons should not participate in a personal business transaction with the Partnership in which they will receive a significant profit or gain, unless the transaction has been approved by a majority of the directors (including a majority of the independent directors) of the General Partner of the Partnership not interested in the transaction. Covered Persons should advise the Audit Committee of the General Partner of the Partnership of any prospective or existing potential conflict.
- Refuse any gift, favor or hospitality that would influence or would appear to influence their actions.

- In any dealings with a government official, supplier or other person or entity, the Covered Persons shall not request, accept or offer to give any significant thing of value, the purpose or result of which could be to influence the *bona fide* business relations between the Partnership and such persons or entities.

Professional Competence

The Covered Persons have a responsibility to:

- Maintain an appropriate level of professional competence by continuing development of their knowledge and skills.

- Perform their professional duties in accordance with relevant laws, regulations and technical standards.

- Prepare full, fair, accurate, timely and understandable financial statements, reports and recommendations after appropriate analyses of relevant and reliable information.

Confidentiality

The Covered Persons have a responsibility to protect the Partnership by:

- Refraining from disclosing to others confidential information acquired in the course of their work except when authorized to do so.

- Refraining from using or appearing to use confidential information acquired in the course of their work for unethical or illegal advantage either personally or through third parties.

Integrity of Financial Statements and Accuracy of Filings

The Covered Persons shall ensure that:

- No funds or assets of the Partnership shall be used for any purpose that would be in violation of any applicable law or regulation.

- No contributions shall be made by or on behalf of the Partnership to any political candidate, party or campaign either within or without the United States.

- No fund or asset of the Partnership shall be established or maintained that is not reflected on the books and records of the Partnership.

- No false, artificial or misleading entries in the books and records of the Partnership shall be made.

- No transaction shall be effected and no payment shall be made by or on behalf of the Partnership with the intention or understanding that the transaction or payment is other than as described in the documentation evidencing the transaction or supporting the payment.

- Full, fair, accurate, timely and understandable disclosure is made in reports and other documents filed with or submitted to the Securities and Exchange Commission ("SEC").

Prohibition of Loans

- No Covered Persons shall request or accept a loan or advance from the Partnership.

Waiver and Compliance

The Covered Persons shall be primarily responsible for the enforcement of the policies set forth in this Code. Should any information or knowledge regarding violation of this Code come to the attention of any Covered Persons, the Covered Persons must promptly report the information to the Audit Committee of the General Partner of the Partnership. The Audit Committee shall assess compliance with this Code, report any violation of this Code to the General Partner of the Partnership and recommend any appropriate action. The Covered Persons will be required on an annual basis to certify their compliance with this Code.

Any request for a waiver of any provision of this Code must be in writing and addressed to the Audit Committee of the General Partner of the Partnership. Any waiver of this Code must be disclosed promptly on a current report on Form 8-K or by any other means approved by the SEC.

EXHIBIT 31.1

CERTIFICATION

I, Brian F. Lavin, certify that:

1. I have reviewed this annual report on Form 10-K of NTS Realty Holdings Limited Partnership;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected or is reasonably likely to materially affect the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the board of directors of the registrant:

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: March 31, 2005

/s/ Brian F. Lavin
President and Chief Executive Officer of
NTS Realty Capital, Inc., the Managing General Partner of
NTS Realty Holdings Limited Partnership

EXHIBIT 31.2

CERTIFICATION

I, Gregory A. Wells, certify that:

1. I have reviewed this annual report on Form 10-K of NTS Realty Holdings Limited Partnership;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected or is reasonably likely to materially affect the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the board of directors of the registrant:

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: March 31, 2005

/s/ Gregory A. Wells
Chief Financial Officer of
NTS Realty Capital, Inc., the Managing General Partner of
NTS Realty Holdings Limited Partnership

EXHIBIT 32.1

CERTIFICATION

I, Brian F. Lavin, President and Chief Executive Officer of NTS Realty Capital, Inc., the managing general partner of NTS Realty Holdings Limited Partnership (the “Company”), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Annual Report on Form 10-K of the Company for the annual period ended December 31, 2004 (the “Report”) fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 31, 2005

/s/ Brian F. Lavin
President and Chief Executive Officer of
NTS Realty Capital, Inc., the Managing General Partner of
NTS Realty Holdings Limited Partnership

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION

I, Gregory A. Wells, Chief Financial Officer of NTS Realty Capital, Inc., the managing general partner of NTS Realty Holdings Limited Partnership (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Annual Report on Form 10-K of the Company for the annual period ended December 31, 2004 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 31, 2005

/s/ Gregory A. Wells
Chief Financial Officer of
NTS Realty Capital, Inc., the Managing General Partner of
NTS Realty Holdings Limited Partnership

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.