

Great Cuts

LEASE AGREEMENT  
GROUND FLOOR  
THE COURTYARD

THIS LEASE AGREEMENT (the "Lease") made and entered into as of the 1<sup>st</sup> day of December, 2003 by and between Courtyard Associates (hereinafter called "Landlord") and TAMARA FLICK (hereinafter called "Tenant")

Due to recent expiration, This currently month-to-month, but has asked for a new 5 year lease

WITNESSETH

For the consideration and mutual covenants set forth herein, Landlord hereby leases to Tenant and Tenant hereby rents from Landlord the Demised Premises (as defined in Section (dd) of Basic Information), in accordance with the terms and conditions hereinafter set forth:

Basic Information at Commencement of Lease

Basic information is provided for the convenience of the parties; however, the terms of the Lease numbered 1 through 25 shall govern the relationship of the parties.

- (aa) Landlord's address: Courtyard Associates, 431 West Franklin Street, Suite 21, Chapel Hill, North Carolina 27516.
  - (bb) Tenant's Trade Name and address: Great Cuts  
#18 - The Courtyard, Chapel Hill, NC 27516
  - (cc) Property Manager's address: Park City Developments, 921 Morreene Road, Suite 207, Durham, North Carolina 27705, phone (919) 383-8842
  - (dd) Demised Premises: approximately 332 square feet in Space # 18 of The Courtyard, 431 West Franklin Street, Chapel Hill, North Carolina, as set forth in Exhibit A, including any alterations, additions, or repairs made thereto.
  - (ee) Lease Commencement Date: November 1, 2003 (see 5).
  - (ff) Lease Expiration Date: October 31, 2008 (see 5).
  - (gg) Minimum Rent: \$ 600.- per month, payable in advance (see 1.a).
  - (hh) Percentage Rent: N/A % of gross sales (see 1.b).
  - (ii) Initial Common Area Maintenance (CAM) Charge Per Month: \$ 103.75 based upon \$ 3.75 per square foot annually (see paragraph 9).
  - (jj) Security Deposit: \$ 415.<sup>00</sup> (plus \$415 - from prior assumption)
  - (kk) Permitted Uses: Tenant will use the Demised Premises solely for the purpose of conducting the business of: Hair Cutting Salon
- Tenant will occupy the Leased Premises for no other purpose and such use and occupancy will be in compliance with all applicable laws, ordinances, and governmental regulations. The Tenant agrees to conduct continuously in the Leased Premises the business above stated.
- (ll) Renewal Options: See 5. N/A
  - (mm) Parking: \$ 35 for 1 gravel spaces and/or \$ \_\_\_\_\_ for \_\_\_\_\_ asphalt spaces, totaling \$ 35.- monthly.

This lease is made and accepted by Tenant upon the following express conditions, all and every one of which Tenant covenants and agrees faithfully to observe, keep, and perform:

1. RENT AND ADJUSTMENTS

a. Minimum Rent will be paid in advance on the first day of every month until the expiration of the said term, the first installment being due and payable on the execution of this agreement and the remaining installments of said payments to be made by Tenant at the office of Landlord, or at such other place as Landlord may designate in writing, without deduction or demand.

~~b. Percentage Rent will be paid monthly on all gross receipts for the preceding month, as described below. Such payments are to be made concurrently with the submission by Tenant to Landlord of a copy of the North Carolina Sales Report, for each and every month on or before the fifteenth day of the month following.~~

~~From \_\_\_\_\_ through \_\_\_\_\_ Tenant shall pay as rent 6% of gross monthly sales, calculated and payable monthly, less the minimum of \$ \_\_\_\_\_/sq. ft. per year (\$ \_\_\_\_\_ annually), due and payable on the first of every month.~~

~~From \_\_\_\_\_ through \_\_\_\_\_ Tenant shall pay as rent 6% of gross monthly sales, calculated and payable monthly, less the minimum of the previous year's annual rent as adjusted by the Consumer Price Index, due and payable on the first of every month.~~

~~From \_\_\_\_\_ through \_\_\_\_\_ Tenant shall pay as rent each lease year, 6% of gross monthly sales, calculated and payable monthly, less the minimum of the previous year's annual rent as adjusted by the Consumer Price Index, due and payable on the first of every month.~~

c. Cost of Living Adjustment. Landlord and Tenant agree that the Minimum Annual Rent will be adjusted upward at the end of each lease year for the forthcoming lease year to reflect any increase in the Consumer Price Index for Urban Consumers, U.S. City Average. All Items (1967=100) published by the Bureau of Labor Statistics of the United States Department of Labor ("CPI-U"). The base year and base rent for such calculation will be the calendar year during which this lease began and the annual rent as set forth above on Page 1. If the "Consumer Price Index" published by the Bureau of Labor Statistics is discontinued, then the parties shall in good faith, agree on a suitable substitute. In no event shall the rental payable hereunder be reduced by any such adjustment.

d. Late Charges. Any rental due Landlord under this lease shall be considered past due for purposes hereof on the fifth day of any month, and shall incur, for failure to make timely payment of rent, a late payment penalty of \$50.00. In addition, there will be a monthly interest charge of 1 1/2% per month for that and each subsequent month past due. Any other amounts payable to Landlord under this lease with the exception of rent, shall be considered past due thirty (30) days from Landlord's billing date and shall incur a monthly interest charge of 1 1/2% for that and each subsequent month past due. (A monthly rate of 1 1/2% is equivalent to an annual percentage rate of 18%).

f. Additional Rent. Wherever it is provided in this lease that Tenant is required to make any payment to Landlord, including penalties and interest on late payments, such payment will be deemed to be Additional Rent and all remedies applicable to the nonpayment of rent will be applicable thereto. Notwithstanding the foregoing, such Additional Rent will not be deemed to be Minimum Rent and will not be deducted from Percentage Rent or be considered in connection with the computation of Percentage Rent.

Minimum Rent, Percentage Rent, and Additional Rent will be paid without counterclaim, setoff, deduction, or defense.

## 2. DEFINITION OF GROSS RECEIPTS.

~~As used in this lease, the term "Gross Receipts" means the aggregate selling price of all merchandise sold or delivered at or from any part of the Demised Premises by Tenant or Tenant's agents, and the charges for all services sold or performed at or from any part of the Demised Premises by Tenant or Tenant's agents. Gross Receipts include all sales and charges for cash or credit as reported as sales for any and all tax purposes. Credit sales will be included in Gross Receipts regardless of collections.~~

Gross Receipts excludes refunds made by Tenant to its customers for merchandise returned to Tenant, exchanges of merchandise between stores of Tenant where such exchanges are made solely for the convenient operation of Tenant's business, and the amount of any city, county, or state sales tax on sales paid to a taxing authority by Tenant (but not by any vendor of Tenant).

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~~A sale will be deemed to be made in the Demised Premises if the merchandise or services are ordered at the Demised Premises and is filled at the Demised Premises or elsewhere; or, if the merchandise or services are ordered elsewhere, but the order is filled at or from the Demised Premises or the merchandise is delivered from the Demised Premises; or, if the sale is made at a temporary store; or, if the sale is made from any non-retail establishment.~~

## 3. RECORD KEEPING.

~~a. Statements of Gross Receipts. Within fifteen (15) days after the end of each calendar month of the term of this lease, Tenant shall deliver to Landlord an accurate statement signed and certified as correct by the Tenant, or by a principal executive of Tenant, if Tenant be a corporation, showing the gross receipts for the preceding calendar month or fraction of a calendar month, as the case may be. Tenant shall pay a penalty of \$50 for late submittal of this statement. Within thirty (30) days after the end of each lease year or termination or expiration of this lease, Tenant shall deliver to Landlord a cumulative statement showing the gross receipts made in, at or from the Demised Premises for the preceding lease year. Such statement shall be certified by a certified public accountant and if the Tenant shall not theretofore have paid to the Landlord the full amount of percentage rent payable for the period of such cumulative statement make payment of any balance due for the period of the cumulative statement.~~

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~~b. Books. Tenant will maintain (and cause any licensee and subtenant to maintain) full and accurate books of account and records from which Gross Receipts can be determined and which will be conveniently segregated from other business matters. These books of account and records will be kept in the Demised Premises or in the city where Tenant's main office is located. The records will be so kept and maintained (properly totaled and added) for at least thirty-six (36) months after the end of the period in question. The foregoing books and records so required to be kept and maintained will include all federal, state, and local tax returns; records of daily bank deposits of the entire receipts from transactions at or from the Demised Premises; sales slips; daily dated cash register tapes; sales books; duplicate bank deposit slips; and bank statements.~~

c. Inspection and Audit. Landlord or its duly authorized representatives may at any reasonable time or from time to time inspect or audit any or all of Tenant's books, documents, records and sales tax returns, which will in any manner be related to gross receipts. Tenant, upon written request by Landlord, will make all such data available for such examination at the Demised Premises, at such reasonable times as Landlord will specify in such written request. If Landlord makes an audit for any lease year, and if the gross receipts shown by Tenant's statement for such lease year are found to be understated by two percent (2%) or more, then Tenant will pay to Landlord the cost of such audit in addition to any deficiency payment required. A report of the findings will be binding and conclusive upon Landlord and Tenant. Landlord's right to commence such an audit with respect to any lease year will expire twelve (12) months after receipt by Landlord of Tenant's statement for such lease year; provided, however, that if such an audit reveals an understatement by Tenant of two percent (2%) or more, Landlord may audit all previous years within the following twelve (12) months. The furnishing by Tenant of any grossly inaccurate statement will constitute a breach of this lease. Any information obtained by Landlord as a result of such an audit will be held in strict confidence by Landlord except in any proceeding or action to collect the cost of such audit or deficiency or with respect to a prospective sale, mortgage or lease of The Courtyard.

#### 4. SECURITY DEPOSIT.

Landlord acknowledges receipt upon execution hereof from Tenant of the sum of Four hundred fifteen Dollars (\$ 415.-) to be held as collateral security for the payment of any rentals and other sums of money payable to Landlord under this Lease Agreement and for the faithful performance by Tenant of all other covenants, conditions and agreements of this Lease Agreement; the amount of said deposit, without interest, to be repaid to Tenant after the termination of this Lease Agreement and any renewal thereof, provided Tenant shall have made all such payments and performed all such covenants, conditions and agreements.

In the absence of evidence satisfactory to Landlord of any assignment of the right to receive the Security or the remaining balance thereof, Landlord may return the Security to the original Tenant, regardless of one or more assignments of Tenant's interest in the Security. In such event, upon the return of the Security (or balance thereof) to the original Tenant, Landlord will be completely relieved of liability with respect to the Security.

In the event of a transfer of Landlord's interest in the Demised Premises, Landlord will have the right to transfer the Security to the transferee of Landlord's interest. In such event, Landlord will be deemed released by Tenant from all liability for the return of the Security and Tenant agrees to look solely to the transferee for the return of the Security.

The Security will not be mortgaged, assigned, or encumbered by Tenant. No action by Landlord in enforcing its rights with respect to a Default will be deemed to be a termination of this lease so that Tenant will be entitled to the return of the Security. No Mortgagee will be liable for the return of the Security.

#### 5. TERM OF LEASE.

The term of this lease and Tenant's obligation to pay rent, shall commence on November 1, 2003. The term of this lease shall be for Five (5) years and — ( ) months following the commencement.

Renewal options are: N/A

6. IMPROVEMENTS.

a. Quality of Work and Approval of Landlord. Tenant will not make any alterations, additions, or improvements to the Demised Premises without the prior written consent of Landlord, excepting the installation of unattached movable trade fixtures which may be installed without drilling, cutting, or otherwise defacing the Demised Premises.

All construction work done by Tenant within the Demised Premises shall be performed in a good workmanlike manner, in compliance with all governmental requirements and with all the terms of this lease and at such times and in such manner as to cause a minimum of interference with other construction in progress and with the transaction of business in The Courtyard. If required by Landlord, Tenant shall, at Tenant's sole cost and expense, erect and install a temporary enclosure approved by Landlord to enclose the Tenant's space during construction therein. All costs of such work shall be paid promptly so as to prevent the assertion of any liens for labor or materials. Tenant agrees to indemnify and hold Landlord harmless against any loss, liability or damage resulting from such work or liens filed.

Whenever Tenant proposes to do any construction work within the Demised Premises it shall first furnish to Landlord plans and specifications in such detail as Landlord may request covering all such work. Such plans and specifications shall comply with such requirements as Landlord may from time to time prescribe for construction within The Courtyard. In no event shall any construction work commence within the Demised Premises without Landlord's written approval of such plans and specifications. Plans and specifications of Tenant's work shall include by way of illustration and not by way of limitation a detailed rendering of the lay-out, design, location and type of electrical fixtures and equipment, materials to be used, colors, and any other relevant data requested by Landlord.

All additions, alterations, and improvements (including but not limited to awnings, stained glass windows, additional heating and air conditioning units installed by Tenant) shall become the property of Landlord and be surrendered with the premises at the termination of this lease. Tenant shall have the right to remove or replace its movable trade fixtures, provided Tenant repairs any damage cause by such removal.

All fixtures installed by Tenant shall be new or high quality antiques. Tenant shall not decorate, paint, or alter the Demised Premises, or any part thereof, and shall not install or fix any sign, fixture or attachment on or to the exterior or interior of the Demised Premises, or any building located in The Courtyard, including the roof or the canopy thereof, not place any vents, structure, building, improvement, sign or advertising device, or obstruction of any type or kind upon the community area or upon the Demised Premises without first obtaining Landlord's written consent. If Tenant shall do any of such acts without consent, Landlord may remove any such decoration, paint, alteration, sign or attachment and restore the Demised Premises or community area to the condition thereof prior to such act. The cost of such removal and restoration shall be paid by Tenant as additional rental.

Replacement or repair of exterior door lock(s) initiated by Tenant for security or any other reason shall be done at Tenant's expense. All locks must remain keyed to the Master Key for The Courtyard. A copy of any new keys made for new lock(s) will be given to the Landlord within two (2) days of completion of work.

b. Liens and Claims. Tenant agrees that any alteration or improvement, whether major or minor, shall be made at Tenant's sole risk. Tenant covenants not to permit any contractor's or materialman's lien to attach to the Demised Premises, and agrees to indemnify and hold Landlord harmless from any damages incurred by reason of any claim or lien by an unpaid contractor or materialman, and further agrees to reimburse Landlord for any amounts paid by Landlord to discharge any such contractor's or materialman's lien; provided, however, Tenant shall have the right to contest in good faith by legal proceedings or otherwise any lien asserted against the Demised Premises by any contractor or materialman, and Landlord shall not interfere with and shall assist where reasonably necessary but at no expense to Landlord, in such protest. In the event Tenant shall determine to contest such lien, and in the absence of Tenant's having bonded off the lien as provided by law, Tenant shall post with Landlord a good and sufficient surety bond in an amount not less than one hundred twenty-five percent (125%) of the lien so contested conditioned upon the Tenant paying all the cost of satisfying the lien plus interest and costs which may be determined to be due upon the claim.

#### 7. TENANT'S TAXES.

Tenant shall pay all personal property taxes levied or assessed against the Demised Premises and its contents. Tenant shall also pay all personal property taxes levied or assessed against any personal property now or hereafter owned by Tenant and brought into Orange County; Tenant shall also pay all license fees, occupation fees, privilege taxes and permit fees incidental to the use of the Demised Premises during the term of this Lease. Tenant shall indemnify and hold harmless Landlord against any damage caused by Tenant's failure to pay the taxes. Should Landlord pay any of these taxes on Tenant's behalf, Tenant shall reimburse Landlord for the expense thereof on or before the due date of the next following rental installment and billed as additional rent.

#### 8. COMMON AREAS.

The common areas are exclusively controlled by the Landlord. The right of customers to use the parking facilities shall apply only while they are shopping or on business in The Courtyard. Tenant agrees that it and its officers and employees will not park their vehicles in any of the paved, contiguous parking lots at any time between 8:00 a.m. and 5:00 p.m., Monday through Friday. Tenant acknowledges that by violating the previous sentence the vehicles will be subject to towing at the owner's expense; and, further, if a tow truck is called and the owner appears before his/her car has been towed, that the owner will still be subject to a charge from the towing company. Tenant acknowledges that The Courtyard parking lot is reserved for customers while doing business at The Courtyard.

Tenant shall not park any trucks or delivery vehicles in the parking areas, nor permit delivery of merchandise at any place other than that designated by Landlord. Landlord shall have the right to enforce parking charges, by meter or otherwise, and to close any part of the common areas for such time as may, in the opinion of Landlord's counsel, be necessary to prevent a dedication thereof, or the accrual of any rights in any person, and to close any part of the parking area for such time as Landlord deems

necessary in order to discourage non-customer parking and to do other things in the parking areas as Landlord in its discretion deems necessary for the benefit of The Courtyard.

#### 9. COMMON AREA MAINTENANCE.

In addition to and separate from the Minimum Rent, Percentage Rent and any other charges, the Tenant shall pay to the Landlord as additional rent, Tenant's pro rata share (as herein set forth) of the Common Area Maintenance. Further, that amount in Paragraph (ii) on page 1, consisting in the aggregate of all Common Area Maintenance costs and Taxes, shall be adjusted annually at the end of the Landlord's fiscal year as provided for below. For purposes of this Lease, the following will describe and define the Operating Expense Charge:

a. COMMON AREA MAINTENANCE - The Landlord will operate, repair, insure, and maintain or will cause to be operated, repaired, insured, and maintained, the Common Area. Landlord's operating costs shall mean all costs and expenses of operating, repairing, insuring, and maintaining the common facilities in a manner deemed by Landlord to be reasonable and appropriate for the best interest of The Courtyard. Also, Landlord's operating costs shall include costs for any services, furnished by Landlord for the non-exclusive use of all Tenants, all salaries, all insurance costs, all taxes, structural repairs and replacements for common areas, and any other charges deemed appropriate by the Landlord for the maintenance and operation of the common areas that will be in the best interest of both Landlord and Tenant, plus administrative costs equal to 15% of the total cost of operating and maintaining the common facilities.

b. TAXES - The word Taxes, as used herein, shall mean all taxes, assessments, impositions, levies, charges, charged, or imposed by any governmental authority or other taxing authority or, which accrue on the Shopping Center for each of the Landlord's fiscal years (or portion thereof) during the term of this Lease, including, without limitation, all costs and expenses incurred by the Landlord in contesting or seeking to reduce the amount of the taxes, all penalties, interest and other charges.

c. PRO RATA SHARE - The Tenant will initially pay the amounts as shown in Paragraph (ii) on Page 1. At the end of each of Landlord's fiscal years, the Landlord will give Tenant notice of the total amount(s) paid by Tenant for the relevant fiscal year together with the actual amount of Tenant's pro rata share of the Operating Expenses Charge for each fiscal year. If Tenant's share exceeds the aggregate amount previously paid by Tenant for such period, then Tenant shall pay to the Landlord the deficiency within ten (10) days following notice from the Landlord; any overpayment will be refunded to the Tenant or credited to Tenant's account within ten (10) days. The Landlord may adjust the amounts shown in Paragraph (ii), Page 1 at the beginning of Landlord's fiscal year based on budgeted expenses and the Tenant's estimated pro rata share for such fiscal year.

The Demised Premises are shown and outlined on Exhibit A attached hereto and are part of the entire Courtyard as described on Exhibit B attached hereto. Said Exhibits set forth a general layout of The Courtyard and shall not be deemed to be a warranty or agreement on the part of Landlord that said Courtyard will remain exactly as indicated on said diagram. Landlord may change dimensions or locations of the walks, building, and parking areas in any manner as Landlord shall deem proper, and reserves the right to make alterations or additions to any building in The Courtyard. Use and occupancy by Tenant of the Leased Premises shall include the use in common with others of the common areas such as

facilities. Nothing herein contained shall be construed as a grant or rental by Lessor to Tenant of the roof and exterior of the building or buildings of which the Leased Premises form a part, or of the walks and other common areas beyond the Leased Premises, or of the land upon which the Leased Premises are located.

"Pro Rata Share" means the portion that the floor area of the Premises bears to the floor area of all the rentable space of the buildings (excluding common areas) situated on the ground floor of The Courtyard. Taxes and Insurance will be shared on a pro rata basis for all rentable space on all floors of The Courtyard.

#### 10. UTILITIES.

Tenant shall be solely responsible for and promptly pay all charges for heat, water, sewer, gas, electricity or any other utility used or consumed in the leased premises. In no event shall Owner be liable for an interruption or failure in the supply of such utilities to the leased premises.

Tenant agrees that it may be held responsible for all water consumed or used by Tenant on the Demised Premises. Water use may be separately metered, and Landlord will furnish Tenant with a monthly statement of water use and cost. Tenant agrees to promptly reimburse Landlord for the cost of water upon receipt of such statement, same to be considered as additional rental.

Landlord has provided and installed a sprinkler system from city water line to each Tenant's Demised Premises. Tenant agrees to maintain this system within the premises. Cost of periodic testing and maintenance of the system required by local authorities will be paid by the Tenant based on the ratio of the Demised Premises to the total square feet of The Courtyard's leasable space.

The heating and air conditioning shall be thermostatically controlled so that the temperature within the Demised Premises will not be less than 55/F nor greater than 85/F at any time.

#### 11. PROTECTION OF LANDLORD.

Tenant will hold Landlord, its agents, servants, and representatives harmless from any damages, loss, or expense resulting from the negligent, unlawful or willful acts or omission of Tenant, Tenant's employees, representatives, patrons, or visitors or from the Tenant's failure to perform any obligation imposed upon it by law or the provision of this lease. Tenant agrees to pay for all damage to the building, as well as all damage to tenants or occupants thereof, caused by Tenant's misuse or neglect of said premises, its apparatus, or appurtenances.

Tenant shall store its property in and shall occupy the Demised Premises and all other portions of The Courtyard at its own risk, and releases Landlord to the full extent permitted by law from all claims resulting in loss of life, personal or bodily injury or property damage. Landlord shall not be responsible or liable for any loss or damage to Tenant's business; and Landlord shall not be responsible or liable to Tenant or to those claiming by, through or under Tenant, for any loss or damage to either the person or property of Tenant that may be occasioned by or through the acts or omissions of other Courtyard Tenants.

Landlord shall not be responsible or liable for any defect, latent or otherwise, in any building in The Courtyard or any of the equipment, machinery, utilities, appliances or apparatus therein, nor shall it be responsible or liable for any injury, loss or

damage to any person or to any property of Tenant or other person caused by or resulting from bursting, breakage or from leakage, steam, snow, or ice, running, backing up, seepage, or the overflow of water or sewage in any part of said premises or for any injury or damage caused by or resulting from acts of God or the elements, or from the acts of any other occupant of the premises.

Tenant shall give prompt notice to Landlord in case of fire or accidents in the Demised Premises or in the building of which the Demised Premises are a part. In case Landlord shall, without fault on its part, be made a party to any litigation commenced by or against Tenant, then Tenant shall protect and hold Landlord harmless and shall pay all costs, expenses and reasonable attorney's fees. Tenant shall also pay all costs, including expenses and reasonable attorney's fees, that may be incurred or paid by Landlord in enforcing the terms of this lease.

## 12. INSURANCE.

Tenant will provide and keep in force, for the protection of the general public and Landlord, liability insurance against claims for bodily injuries or death upon or near the leased premises and the service and parking areas adjacent thereto to the extent of not less than One Million Dollars (\$1,000,000.00) in respect to bodily injuries or death, and property damage with limits of not less than Fifty Thousand Dollars (\$50,000.00), and said policy will contain a waiver of subrogation as to Landlord. Such insurance and certificates will name Landlord as an additional insured for the full amount of the insurance herein required. Tenant will furnish Landlord with satisfactory evidence of such coverage upon commencement of this lease and at every anniversary of this lease.

Landlord shall maintain in effect policies of insurance covering the building and improvements of which the Demised Premises constitute a part, providing protection to the extent of not less than eighty percent (80%) of the insurable value of said building against all casualties included under standard insurance industry practices within the classification "Fire and Extended Coverage, Vandalism and Malicious Mischief." Nothing in this Section shall prevent the taking out of policies of blanket insurance which may cover real and personal property and improvements in addition to the building of which the Demised Premises constitute a part.

At all times during the term of this lease, Tenant shall pay all premiums for and maintain in effect, with a responsible insurance company or companies authorized to do business in North Carolina, policies of insurance for the benefit of Landlord and Tenant, as their interests may appear as follows:

a. Insurance covering Tenant's trade fixtures, furniture, furnishings, equipment, and improvements, providing protection to the extent of not less than eighty percent (80%) of the insurable value of the same against all casualties included under standard insurance industry practices within the classification "Fire and Extended Coverage, Vandalism and Malicious Mischief" and covering sprinkler leakage;

b. Plate glass insurance covering the plate glass in the Demised Premises; and

c. Insurance covering one hundred percent (100%) of Tenant's work as described in Exhibit C against all casualties included under standard insurance industry practices within the classification "Fire and Extended Coverage," and "Builders Risk Coverage," which insurance shall be maintained until Tenant has opened for business. In no event shall Tenant cancel the insurance

provided for herein until notice to Landlord and Landlord has included such Tenant's work under Landlord's insurance.

Tenant further agrees that any contractor performing work for Tenant will furnish Tenant with certificates showing evidence of comprehensive public liability insurance. If the Tenant uses a general contractor for improvements, Tenant shall require that the general contractor deliver to Tenant evidence of worker's compensation insurance coverage. If the Tenant is performing his own general contracting work, the Tenant shall deliver to the Landlord evidence of worker's compensation coverage or evidence that, under the Tenant's liability insurance coverage, unpaid worker's compensation claims of any subcontractor are covered.

All policies furnished by Tenant will contain an endorsement providing that the insurer will not cancel, non-renew, or materially change the coverage of said policy or policies without first giving ten (10) days written notice thereof to the Landlord.

At Landlord's option, Landlord may arrange blanket coverage for the comprehensive public liability and comprehensive property damage insurance requirement. In the event Landlord procures such coverage, it shall furnish Tenant with evidence of comprehensive public liability and comprehensive property damage insurance in adequate amounts which show Tenant as a co-insured. Landlord shall prorate the cost of such insurance among all Tenants. Landlord may notify Tenant of the premium amount of such policy in advance and may collect it prior to the effective date of insurance under such policy.

d. In the event Tenant's occupancy causes any increase of premium for the fire, boiler and/or casualty rates on the Demised Premises, The Courtyard, or any part thereof above the rate for the least hazardous type of occupancy legally permitted in the Demised Premises, the Tenant shall pay the additional premium on the fire, boiler and/or casualty and liability insurance policies by reason thereof. The Tenant also shall pay in such event, any additional premium on the rent loss through fire. Bills for such additional premiums shall be rendered by Landlord to Tenant at such times as Landlord may elect, and shall be due from and payable by Tenant when rendered and the amount thereof shall be deemed to be, and be paid as, additional rent.

### 13. MAINTENANCE.

Landlord will keep the roof and exterior walls of the Demised Premises (but excepting any work done by Tenant and any glass or doors) in proper repair, provided that in each case, when known, Tenant shall give Landlord prior written notice of the necessity of such repairs; and provided further, that if any such repair is required by reason of the negligence of Tenant or any of its agents, employees or customers, or other person using the Demised Premises with Tenant's consent, express or implied, or Tenant's failure to perform any of its obligations under this Section, Landlord may at his option make such repair and add the cost to the next installment of Minimum Rent.

Tenant agrees to maintain in good order and repair the Demised Premises, including fixtures and equipment therein, including but without limitation, the exterior and interior portions of all doors, windows, glass, plumbing and sewage facilities within the Demised Premises, and including free flow up to the main sewer line, heating, air conditioning, and electrical equipment, interior walls, floors and ceilings, including compliance with applicable building codes relative to fire extinguishers, accomplishing any and all repairs, alterations, replacements and modifications at its own expense and using materials and labor of kind and quality equal to the original work. All parts of the interior of the Demised

Premises shall be painted or otherwise decorated by the Tenant periodically as determined by the Landlord. Tenant will surrender the Demised Premises at the expiration or earlier termination of this lease in as good condition as when received, excepting only deterioration caused by ordinary wear and tear, and damage by fire or other casualty or act of God.

Landlord has provided and installed a heating and air conditioning plant to provide heating and air conditioning to the Demised Premises ( but not including interior duct work). Any additional heating or air conditioning units which Tenant may deem necessary shall be purchased and installed by Tenant and such units shall be of the same make and compatible design as Landlord's units and approved by Landlord. Tenant agrees to enter into, keep current and in effect, and pay all costs of a regular maintenance contract with a service contractor or representative designated or approved by Landlord to service said heating and air conditioning plant and any additional units. Such service should include: changing filters every three months, clean indoor and outdoor coils annually, clean condensate drain lines every spring, grease bearings every three months, check refrigerant levels, belts, etc., every six months. Tenant shall provide to Landlord satisfactory evidence of such coverage upon commencement of this Lease and at every anniversary of this Lease.

If any repairs required to be made by Tenant hereunder are not made or commenced or Tenant is not proceeding with due diligence to commence and complete such repairs within ten (10) days after written notice delivered to Tenant by Landlord, Landlord may at its option make such repairs without liability to Tenant for any loss or damage which may result to its stock or business by reason of such repairs, and Tenant shall pay to Landlord upon demand as additional rental hereunder the cost of such repairs plus interest from the date of payment by Landlord until repaid by Tenant.

#### 14. RIGHT TO ENTER.

Landlord, or any of its agents, will have the right to enter the leased premises during all reasonable hours to examine the same or to make such repairs, additions, or alterations as may be deemed necessary for the safety and comfort of the occupants of the building or the preservation of said building, or to exhibit said premises. The right of entry will also exist for the purpose of removing placards, signs, fixtures, alterations or additions, which are not permitted by this agreement or by the rules and regulations of the building, and to abate at Tenant's expense, any condition which constitutes a violation of any of the covenants or conditions of this lease or any of the rules and regulations herein referred to.

#### 15. DAMAGES OR DESTRUCTION OF BUILDING.

If the premises are damaged by fire or other casualty during the term of this lease to the extent the same become untenable, then Landlord will have the right, but will not be obligated, to begin to effect the repairs necessary to make said premises tenable within one hundred eighty (180) days, then Tenant may (1) at its option remain bound by this lease with rent abated till premises are restored, but the term of this lease will not be extended by any period of rental abatement; or (2) Landlord or Tenant may elect to cancel this lease. In the event of the cancellation of this lease by Landlord or Tenant, the rent will be paid only to the date of such fire or casualty; provided, however, there will be no cessation of rent if the damage results from negligence, default, or willful act of Tenant, its agents, or employees. Notice of election to cancel under the provisions of this paragraph will be in writing. Tenant will, in the event of

fire or other casualty to said Demised Premises, give immediate notice thereof to Landlord.

Landlord shall not be responsible for the repair or replacement of any improvements, fixtures, equipment or contents added or owned by Tenant. The responsibility for the repair or replacement of these items shall be Tenant's, and unless and until Tenant shall give to Landlord written adequate assurances that Tenant will make such repair or replacements, Landlord shall not be obligated to repair and restore the Demised Premises as set forth above.

#### 16. EMINENT DOMAIN.

In the event any or all of the exterior common areas is taken under power or authority of eminent domain, Landlord will have the sole claim to any proceeds or awards for or from said taking and the terms, provisions, and covenants of this lease and the rents reserved hereunder will be unaffected.

In the event any or all of the Demised Premises are taken under such power so as to prohibit use of same and make them untenable, in the sole judgment of the Landlord, then Tenant and Landlord will each have the option to terminate this lease as of the date possession thereof will be required to be delivered to the condemning authority. Landlord will have sole claim to any proceeds or awards for or from said taking, but Tenant will have the right to claim separate claim for any personal property or loss of business it may suffer.

#### 17. ASSIGNMENT AND SUBLETTING.

Tenant shall not assign or sublet any part of the Demised Premises without the prior written consent of the Landlord, which may be withheld. The consent of Landlord to any assignment or subletting or other act of Landlord, however, shall not constitute a waiver of the necessity for such consent to any subsequent assignment or subletting; in all events, the Tenant shall remain fully liable and shall not be released from performing any of the terms of this lease.

If Landlord consents to any transfer, assignment, or subletting, such transferee, assignee, or sublessee assumes all of the obligations and liabilities of Tenant under this lease. No assignment or subletting shall apply or be permitted other than during the initial term of this lease. Options or extensions, if any, are available exclusively to Tenant.

#### 18. OPERATION AND CONDUCT OF BUSINESS.

At all times during the term of this lease the Tenant shall keep the entire Demised Premises open for business during regular business hours, and conduct its business in a high class and reputable manner with an adequate staff, and full stock of merchandise, subject to strikes and other causes beyond the Tenant's control.

During the term of this lease Tenant shall not directly or indirectly engage in any similar or competing business within a radius of three miles from the outside boundary of The Courtyard. Tenant shall not perform any acts or carry on any practices which may injure the building, or be a nuisance or menace to other tenants in The Courtyard.

19. HOLDING OVER.

If the Tenant remains in possession after the expiration of the term or any extensions hereof (without the execution of a new lease) the Tenant shall not thereby acquire any right, title or interest in or to the leased premises, and shall be a tenant by sufferance during such holding over on a month-to-month basis. But in such event, the Tenant shall be subject to all the conditions, provisions and obligations of this lease insofar as the same shall then be applicable.

20. SUBORDINATION.

This lease and all leasehold rights hereunder shall be, become and remain subordinate to the lien of any bona fide mortgage or deed of trust now or hereafter imposed upon all or any part of the Demised Premises; and the Tenant shall execute and deliver to Landlord or lender upon request any instruments reasonably requested by the Landlord consenting to the full subordination of this lease to any such mortgage or deed of trust upon the condition that Tenant's rights hereunder shall not be disturbed by a foreclosure or otherwise so long as Tenant is not in default hereunder. Moreover, Tenant shall furnish, upon Landlord's request, estoppel letters to the Landlord pursuant to any request by any mortgage lender, refinancer or other creditor of Landlord. Tenant will furnish such information such as mortgage lender, refinancer or creditor shall require in the estoppel letter and it shall be an event of default under this agreement for the Tenant not to provide the appropriate information.

21. DEFAULT.

If Tenant(a) fails to pay any rental or other payment hereunder as it comes due; or (b) it fails to perform any other of the terms of this lease to be observed or performed by Tenant; or (c) if Tenant shall become bankrupt or insolvent or there is an appointment of a receiver or trustee of all or a portion of Tenant's property, or if Tenant makes an assignment for the benefit of creditors, or petitions for or enters into an agreement; or (d) if this lease shall pass to or devolve upon (by law or otherwise) one other than Tenant except as herein provided then, in any one or more of such events, upon Landlord serving a written Notice of cancellation upon Tenant specifying the nature of such default and the period allowed to cure the default, if Tenant shall have failed to comply with or remedy such default within such period, then this lease and the term thereunder shall (at the option of Landlord) terminate on the date specified in such Notice. Tenant shall thereupon surrender the Demised Premises to the Landlord as if the term hereunder ended by expiration, but Tenant shall remain liable as hereinafter provided.

The Written Notice required of Landlord under the preceding section shall provide for five (5) days of grace to cure a monetary default, or thirty (3) days to cure a non-monetary default which can be reasonably be cured in thirty (30) days; and for any non-monetary default not curable in thirty (30) days, that Tenant shall commence to cure within thirty (30) days and thereafter proceed diligently and in good faith in complete the curing of said default as soon as possible.

If the Notice provided shall have been given and the term shall expire as aforesaid, or should Landlord elect not to terminate this lease, Landlord shall have the immediate right to re-enter and may remove all persons and property from the Demised Premises and such property may be removed and stored in a public warehouse or elsewhere at the cost of, and for the account of Tenant, all

without service of Notice or resort to legal process (all of which Tenant expressly waives) and without being deemed being guilty of trespass, or becoming liable for any loss or damage which may be occasioned thereby. Landlord shall have a lien for the payment of all sums agreed to be paid by Tenant herein upon all Tenant's property, which is to be in addition to Landlord's lien now or that may thereafter be provided by law.

In the event the Landlord incurs any expenses or fees included but not limited to legal and accounting fees, in the enforcement of Landlord's rights under the term of this lease, Tenant agrees to reimburse for such reasonable expenses as additional rent.

## 22. REMEDIES.

Should Landlord elect to re-enter or should it take possession pursuant to legal proceedings or pursuant to any Notice provided for by law, it may make such alterations and repairs as may be necessary in order to relet the premises, and relet said premises or any part thereof for such terms and at such rentals and conditions as Landlord in its sole discretion may deem advisable. Upon each such reletting, all rentals received by Landlord from such reletting shall be applied, first, to the payment of any indebtedness other than rent due hereunder from Tenant to Landlord; second, to the payment of any cost and expenses of such reletting, including brokerage fees and attorney's fees, and the cost of such alterations and repairs; third, to the payment of rent, due and unpaid hereunder, and the residue, if any, shall be held by Landlord and applied in payment of future rent. If rentals received from reletting during any month are less than that to be paid during that month by Tenant hereunder, Tenant shall pay any such deficiency to Landlord. Such deficiency shall be calculated and paid monthly. Landlord may recover from Tenant all damages it may incur by reason of Tenant's default, including the cost of recovering the leased premises, reasonable attorney's fees, and including the worth at the time of such termination of the excess, if any, of the amount of rent and charges equivalent to rent reserved in this lease for the remainder of the stated term over the then reasonable rental value of the Demised Premises for the remainder of the stated term, all of which amount shall be immediately due and payable from Tenant to Landlord. For the purposes of this Article, percentage rent for any period after default shall be the same amount as paid during the previous number of months; where the number is equal to the number in default; or, the average of the previous months if fewer than the default. In the event Tenant fails to pay the rents when due, or fails to pay any other sums that are due and Landlord shall advance same, in collection proceedings or instituted by Landlord, Tenant shall become obligated for, and shall pay, all costs of collection, including an attorney's fee of fifteen percent (15%) of the past due rents and/or monies advanced if such collection is effectuated by an attorney. The parties agree that the rental covenants set forth herein as well as all other financial obligations of Tenant are evidence of indebtedness for the purposes of this paragraph.

a. In the event of a breach or threatened breach by Tenant of any provision of this lease, Landlord will have the right of injunction as if other remedies were not provided for herein.

b. The rights and remedies given to Landlord in this lease are distinct, separate, and cumulative remedies, and the exercise of any of them will not be deemed to exclude Landlord's right to exercise any or all of the others or those which may be permitted by law.

c. Landlord will in no event be in default in the performance of any of its obligations in this lease contained unless and until Landlord will have failed to perform such obligation within thirty

(30) days, or such additional time as is reasonably required to correct any such default, after written notice by Tenant to Landlord properly specifying wherein Landlord has failed to perform any such obligation.

23. QUIET ENJOYMENT.

Landlord covenants that if Tenant pays the rent and all other charges provided for in this lease, performs all of its obligations provided for under this lease, and observes all of the other provisions of this lease, Tenant will peaceably and quietly enjoy the Demised Premises in accordance with the terms of this lease without any interruption or disturbance from Landlord.

24. RELOCATION.

a. Substitute Premises. If the Premises comprise 2,000 square feet or less, Landlord, at its option, may substitute for the Leased Premises other space (hereafter called "Substitute Premises") within a building at the site before the Commencement Date or at any time during the term or any extension of this Lease. As far as is reasonably possible, the Substitute Premises shall have a comparable foot area and a configuration substantially similar to the Leased Premises. Landlord shall pay Tenant's reasonable cost of moving Tenant's furnishings, trade fixtures, inventory, and existing telephone system to the Substitute Premises. Except as provided in this Section, Landlord shall not be liable or responsible in any way for damages or injuries suffered by Tenant pursuant to the relocation in accordance with this provision including, but not limited to, loss of goodwill, business or profits.

b. Notice. Landlord shall give Tenant at least sixty (60) days notice of its intention to relocate Tenant to the Substitute Premises. This notice will be accompanied by a floor plan of the Substitute Premises. After such notice, Tenant shall have ten (10) days within which to agree with Landlord on the proposed new space and unless such agreement is reached within such period of time, the lease shall terminate at the end of the sixty (60) day period of time following this notice.

c. Alteration of Substitute Premises. Landlord agrees to construct or alter, at its own expense, the Substitute Premises as expeditiously as possible so that it is in substantially the same condition that the Leased Premises was in immediately prior to the relocation. Landlord shall have the right to reuse the fixtures, improvements, and alterations used in the Leased Premises. Tenant agrees to occupy the Substitute Premises as soon as Landlord's work is substantially completed.

d. Rent During and After Relocation. Except as provided above, Tenant agrees that all of the obligations of this Lease including the payment of rent, will continue despite Tenant's relocation to the Substitute Premises. Upon substantial completion of the Substitute Premises, this Lease will apply to the Substitute Premises as if it had been the space originally described in the Lease.

Landlord shall use all reasonable efforts to minimize any period when the Leased Premises shall be closed to the public as a result of relocation. Tenant's rent shall abate from the date the Leased Premises is closed until the date the Substitute Premises is open for business. Tenant agrees to use all reasonable efforts to open for business in the Substitute Premises as quickly as is reasonably possible under the circumstances.

25. MISCELLANEOUS.

Other provisions:

a. Recordation. Upon the request of either party, the other party will in good faith cooperate in the preparation and execution of a recordable short form lease substantially in the form of the Basic Information. Tenant will in no event record this lease, whether in full or in part.

b. Statement of Accounts. Tenant's failure to object to any statement, invoice, or billing rendered by Landlord within a period of sixty (60) days after receipt thereof will constitute Tenant's acquiescence with respect thereto and will render it an account stated between Landlord and Tenant.

c. Brokers. Tenant represents and warrants that there are no claims for brokerage commissions or finder's fees in connection with the execution of this lease and agrees to indemnify Landlord against and hold it harmless from all liabilities arising from any such claim, including cost of counsel.

d. Rules and Regulations. The rules and regulations attached as Exhibit C are hereby made a part of this lease, and Tenant agrees to comply with and observe the same. Tenant's failure to keep and observe said rules and regulations will constitute a breach of the terms of this lease. Landlord reserves the right from time to time to amend or supplement said rules and regulations, and to adopt additional, reasonable rules and regulations uniformly applicable to the Demised Premises and The Courtyard.

e. Successors and Assigns. The covenants and agreements herein contained are binding on the parties hereto, their successors, assigns, and legal representatives. This lease embodies all of the understandings and agreements of the parties, and the terms hereof will not be changed or varied except by written instrument signed by both parties.

f. Civil Strife. Anything in this agreement to the contrary notwithstanding, providing such cause is not due to the willful act or neglect of the Lessor, the Lessor shall not be deemed in default with respect to the performance of any of the terms of this lease if same shall be due to any strike, lockout, civil commotion, war-like operation, invasion, rebellion, hostilities, military, or usurped power, sabotage, governmental regulations or controls, inability to obtain any material service or financing, through Act of God or other cause beyond the control of the Lessor. No excuse of Lessor's performance as provided above shall be grounds for any rent abatement on behalf of Tenant.

g. Notice. All notices by either party to the other provided for in this lease shall be in writing, and shall be sent by telegram, U.S. Mail, or personally delivered, until otherwise designated in writing, as follows:

To Lessor: Courtyard Associates  
c/o Park City Developments  
921 Morreene Road  
Durham, NC 27705  
(919) 383-8842

To Tenant: TAMARA FLICK  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Phone: \_\_\_\_\_

IN WITNESS WHEREOF, the parties hereto have caused  
this instrument to be duly executed this 1 day of  
December, 192003

LANDLORD: COURTYARD ASSOCIATES

BY: [Signature]  
General Partner

BY: \_\_\_\_\_  
General Partner

TENANT NAME: Tamara W. Flid

BY: Tamara W. Flid

or if Corporation:

BY: \_\_\_\_\_  
President

BY: \_\_\_\_\_  
Secretary

SEAL:

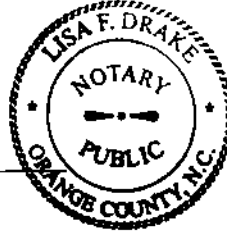
LANDLORD:

NORTH CAROLINA  
ORANGE COUNTY

I, Lisa F Drake a Notary Public of the County and State aforesaid, certify that Sue Koenigschafer, General Partner of Courtyard Associates/Chapel Hill, personally appeared before me this day and acknowledged the execution of the foregoing instrument.

Witness my hand and official stamp or seal, this 2nd day of December, 19 2003

Lisa F Drake  
Notary Public



My commission expires: 5-18-2007

TENANT AS INDIVIDUAL:

NORTH CAROLINA  
ORANGE COUNTY

I, WILLIAM BRACEY a Notary Public of the County and State aforesaid, certify that TAMARA FLICK personally came before me this day and, being first duly sworn, acknowledged the due execution of the foregoing instrument.

Witness my hand and official stamp or seal, this 23<sup>rd</sup> day of OCTOBER, 19 2003

William Bracey  
Notary Public

My commission expires: 12/21/2003

TENANT AS CORPORATION:

NORTH CAROLINA  
\_\_\_\_\_ COUNTY

I, \_\_\_\_\_, a Notary Public of the County and State aforesaid, certify that \_\_\_\_\_ personally came before me this day and acknowledged that he is \_\_\_\_\_ of \_\_\_\_\_ a North Carolina corporation; the foregoing instrument was signed in its name by the above.

Witness my hand and official stamp or seal, this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_.

\_\_\_\_\_  
Notary Public

My commission expires: \_\_\_\_\_

LEMISED PREMISES

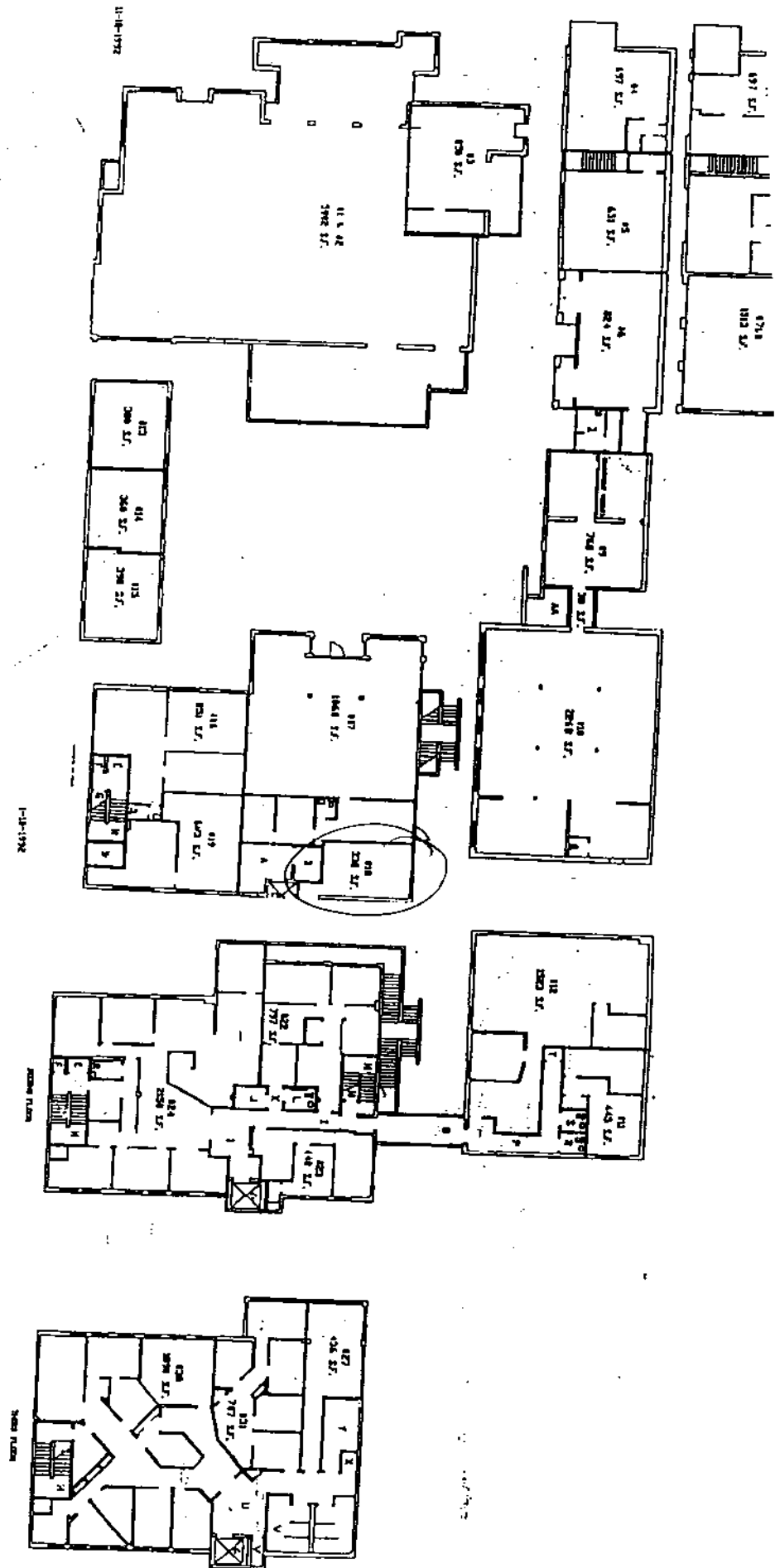
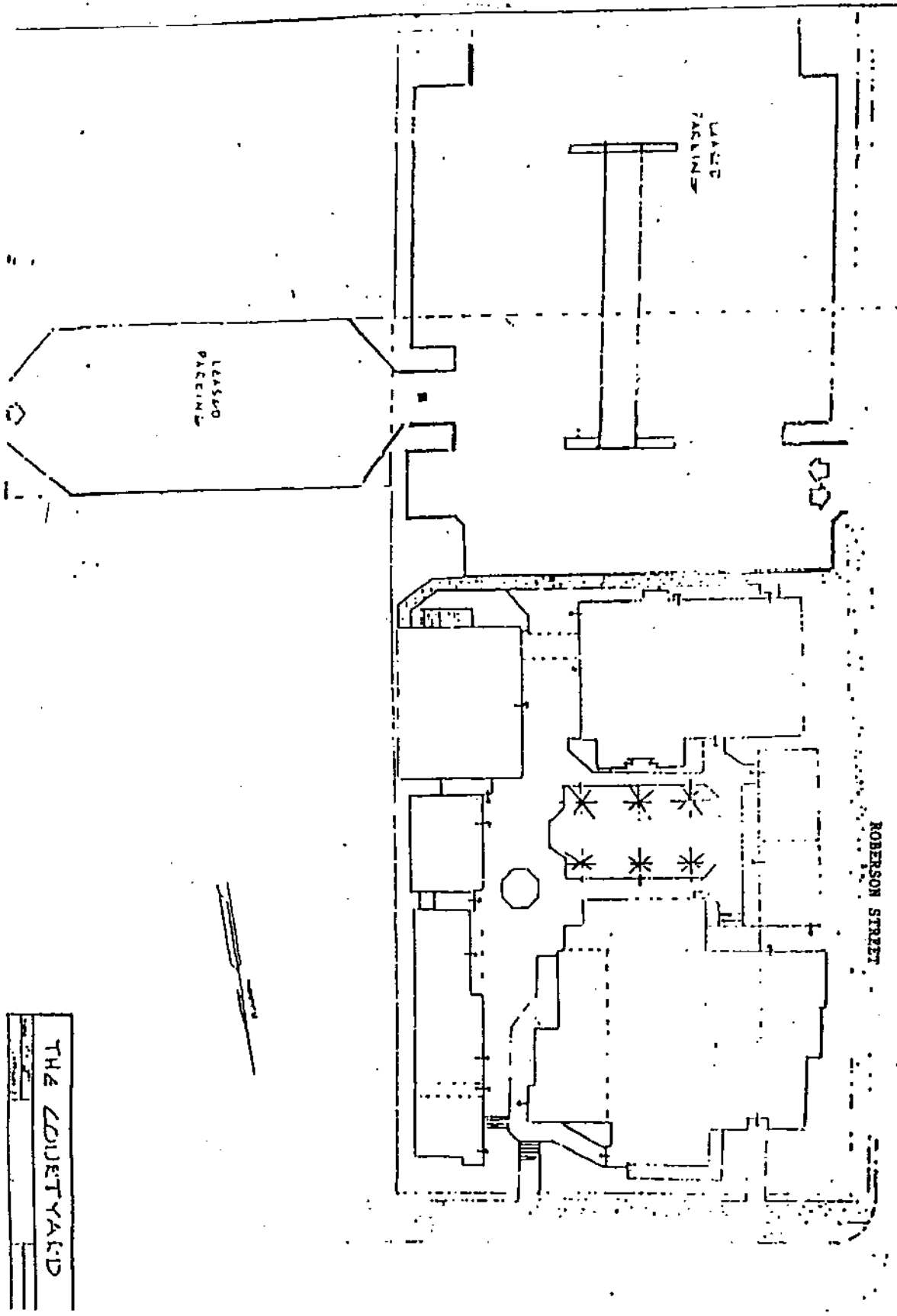


EXHIBIT "B"  
COURTYARD PREMISES



WEST FRANKLIN STREET

EXHIBIT "C"

RULES AND REGULATIONS  
COURTYARD ASSOCIATES/CHAPEL HILL - LANDLORD  
LEASE DATED \_\_\_\_\_

1. Subject to the right of Landlord to make changes from time to time, Tenant shall comply with the following rules, unless waived by Landlord in writing:

A. Keep its display windows dressed and illuminated, until midnight and its exterior and interior signs and lights suitably lighted from store opening hours to midnight or such other hours as set by Landlord;

B. Keep the Demised Premises, including all entrances, all improvements thereon, and all windows, doors and glass fixtures in a safe, neat and clean condition at all times;

C. Store or stock in the Demised Premises only such goods, merchandise or other property as shall be reasonably required in connection with Tenant's business on the Demised Premises;

D. Use for office, clerical or other non-selling purposes only such space in the Demised Premises as is from time to time reasonably required for Tenant's business therein;

E. Store all trash and garbage in adequate containers within the Demised Premises, maintained in a neat and clean condition and located as Landlord shall from time to time designate, and so as not to be visible to the public in or outside The Courtyard and so as not to create or permit any health or fire hazard, and arrange for the regular removal thereof as directed or provided by Landlord;

F. Not overload any floor in the Demised Premises; or use or operate any machinery that in Landlord's opinion is harmful to the building or disturbs other tenants in The Courtyard;

G. Not use any portion of the Demised Premises as living quarters, sleeping apartments or lodging rooms;

H. Not use the plumbing facilities for any purpose other than that for which they were constructed and not to dispose of any damaging or injurious substance therein;

I. Not conduct any going-out-of-business, fire, bankruptcy, auction or other distress sale on the Demised Premises;

J. Not obstruct any sidewalks, walkways or areas of The Courtyard by the keeping, displaying, advertising or sale of any merchandise or other object such as a sidewalk sale;

K. Not install on or about the Demised Premises any exterior lighting, amplifiers or similar devices and/or not to use in, on or about the Demised Premises any advertising medium which may be heard or experienced outside the Demised Premises, such as flashing lights, searchlights, loudspeakers, phonographs, televisions or radio broadcasts;

L. Not install a television antenna upon or within any building or improvement in The Courtyard and if Tenant connects with any master antenna provided by Landlord, Tenant shall furnish and install any and all wiring and booster systems related to such connection and the operation within the Demised Premises of television receivers, and Tenant shall pay to Landlord such reasonable connection or subscription charges as Landlord may establish;

M. Not operate any coin or token operated vending machine or similar device for the sale of any goods, merchandise, food, beverages, or services including, but not limited to, pay telephones, pay lockers, scales, amusement devices and machines for the sale of beverages, foods, candy, cigarettes or other commodities;

N. Not permit the extermination of vermin to be performed in, on or about the Demised Premises, except by a person or company designated by Landlord and at times designated by Landlord;

O. Comply with any and all requirements of any of the constituted public authorities and within the terms of any State or Federal statute, ordinance or regulation applicable to Tenant or its use of the Demised Premises, and save Landlord harmless from penalties, fines, costs, expenses or damages resulting from failure to do so;

P. Give to Landlord prompt written notice of any accident, fire or damage occurring on or to the Demised Premises and the community areas;

Q. Perform all loading and unloading of goods only at such times, in the areas and through such entrances as may be designated for such purposes by Landlord. Trailers or trucks servicing the Demised Premises shall remain parked in the shopping center only from 12:01 a.m. to 8:00 a.m., unless otherwise expressly consented to by Landlord;

R. Keep the outside area immediately adjoining the premises clean and free from ice and snow, and not place or permit any rubbish obstructions or merchandise in such areas;

S. Keep the Demised Premises clean, orderly, sanitary and free from objectionable odors and from insects, vermin and other pests, and not keep any live animals of any kind in or upon the Demised Premises;

T. Require Tenant and Tenant's employees to not park their cars in any paved, contiguous lots during business hours. Tenant shall from time to time, upon written notice from Landlord, promptly furnish Landlord with the State automobile license numbers assigned to Tenant's cars and the cars of all Tenant's officers, employees, agents, contractors and licensees;

U. Install such fire extinguishers and other safety equipment as Landlord and/or public authorities may reasonably require;

V. Landlord may require Tenant to operate and keep its business open for the general public not less than 48 hours per week, Monday through Saturday of each week during the lease term; and further, Tenant may be required to keep its business open until 9:00pm on Thursday and Friday at such time as Lessor shall so advise Tenant.

W. All signs used by the Tenant at or about the Demised Premises shall be of such size, make and illumination, and installed at such locations as approved by the Landlord in writing in advance, and in compliance with all applicable building and electrical codes.

X. Tenant agrees to use the words "The Courtyard" and as address, either "W. Franklin St.", "431 W. Franklin St.", or "The West End," followed by "Chapel Hill" in all printed promotional material of Tenant.

Y. Landlord may withdraw from Tenant any implied or granted permission to use thereafter its name or the name of The Courtyard.

Z. No Smoking is allowed within the Leased Premises or any interior Common Areas.

# EXHIBIT "E"

## SIGN CRITERIA

### The Courtyard Shopping and Office Complex Sign Guidelines

July 18, 2003

During March 2003, The Courtyard was required by the Town of Chapel Hill to Update their Unified Sign Plan. Businesses need to review their signs and make sure that they are in compliance. Window signs need to conform within 60 days. Other signs can be revised when a new sign is constructed.

Each business may have a main sign, and an additional sign if deemed necessary to clearly show their business. To emphasize the collection of individual shops, a mix of both wall signs and projecting signs will be allowed inside the courtyard area. Due to the irregular plan of The Courtyard, businesses within the Courtyard may request an additional sign that is more easily seen by the public, such as a projecting sign on the corner of their business or a ground sign in the garden in front of their business.

#### Size of Signs

Wall signs may not exceed 14 square feet, or be less than 3 square feet.

Projecting signs may not exceed 5 square feet, or be less than 2 square feet.

Window signs – signs that are painted on, affixed to, or otherwise displayed on or through a window – may not exceed 15% of the window area. The entire window sign must be visible through the window and not hidden by the casement.

Internally lit signs may be up to 7 square feet and, if viewed through a window, less than 15% of the total window area. There may be a way to interpret the ordinance a little more leniently if the 7 square foot is too limiting. We will review this requirement as needed.

Ground signs will be reviewed on a case by case basis depending on their location, but should generally follow the above guidelines.

Our anchor ground floor tenant, currently Penang - Malaysian, Sushi and Thai Cuisine, may have a sign up to a square footage equalling 5% of the facade area of their business facing Franklin Street.

#### Materials and Colors

Signs should be constructed from either copper or steel with dark lettering. Decorative details in color may be added to the sign.

Projecting signs may be designed with a wrought iron frame and a metal sign insert.

Signs not seen from the public right of way may use more varied materials and colors. They will be reviewed on a case by case basis.

### **Lettering**

The name of each establishment will be written in Bodoni Condensed typeface or similar serif font, or appear as their registered trademark. Lettering may be up to 12" in height on the public right of ways and up to 9" in height within the courtyard. Business names on the ground level must be at least 4" in height.

Informational text, such as hours of operation shall be less than 3" in height.

Signs not seen from the public right of way may use more varied letter styles, but must meet the size guidelines. They will be reviewed on a case by case basis.

### **Placement**

The main sign will be centered above the principal doorway or doorway/window unit, or on either side of the doorway. Signs may not extend above the parapet or eave line of the building.

Signs will be bolted to the concrete or brick with hidden concrete fasteners.

Placement of signs not seen from the public right of way may be more varied. They will be reviewed on a case by case basis.

### **Lighting**

Sign lighting will be shielded and will be consistent with the lighting plan already established by The Courtyard. Signs will be illuminated by shielded external fixtures, such as Kim EL 240DB, Par 38, anodized, for a flood light or Progress P5222-32, 50wMV, anodized, for a ground light.

You are encouraged to use energy efficient lights throughout your business

■

These guidelines have been established to conform with the Town of Chapel Hill regulations and create a professional looking center. Signs that are not seen from the public right of way have more flexibility in terms of materials and lettering, but sign sizes must be within these guidelines.

All new signs must be approved by management before they are constructed.

### **INTERIOR HALL SIGNS**

**Size: 6" X 6"**

**Design and Materials: Black Metal Architectural Holders with reversed engraved black letters and taupe background to match standard hallway signs. These can be ordered from Dennis Hamlett at Tri-City Engraving, 4226 - C Garrett Road, Durham, NC 27707, telephone 493-3983, or Lane Hubbard, ASAP Signs, 2105 East Highway 54, Durham, NC 27713, telephone 361-2895.**

**If wall space permits a larger, more elaborate design is a possibility. This sign should be neutral in color such as the company logo reproduced in metal or larger version of the standard hall Architectural Holders.**

North Carolina        )  
                              )     **SUBLEASE**  
Orange County        )

THIS SUBLEASE made and entered into this the 12 day of March 2001 by and between Roger Tillison and Cathy Tillison (hereinafter. "Assignor"), and Tamara Flick (hereinafter, "Assignee"), and Courtyard Associates. (hereinafter. "Landlord");

**WITNESSETH:**

WHEREAS, Assignor is the lessee of that certain tract of developed land lying in Chapel Hill, Orange County, North Carolina as more particularly described in Exhibit "A" attached hereto and incorporated herein by reference; and

WHEREAS, Assignee desires to lease the property described in Exhibit "A" from Assignor, which property consists of approximately 332 square feet in Space Number 18 of The Courtyard, 431 W. Franklin Street, Chapel Hill, North Carolina;

WHEREAS, Landlord approves of the sublease of this property;

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor, Assignee, and Landlord do hereby agree as follows:

1. Assignor hereby assigns and conveys to Assignee all of the existing lease on that occupied unit on the property described in Exhibit "A" attached hereto and incorporated herein by reference, including all rights and obligations thereunder as "Tenant." Assignee accepts responsibility for all obligations as "Tenant" thereunder.
2. Assignor hereby assigns and conveys to Assignee all of its security deposit as provided in said lease agreements.
3. Assignor hereby covenants and warrants that:
  - (i) the existing lease is current and rents accrued to date have been prorated as of the date of closing on the settlement statement executed by the parties hereto;
  - (ii) the utility bills for those unoccupied units, if applicable, have been paid to date and all utilities have been transferred to Assignee's name;
  - (iii) the leases attached as Exhibit "A" are valid and binding obligations upon the parties thereto and that the same have not been modified, amended or terminated since the execution thereof;
  - (iv) there are no pending actions either against Assignor for breach of any obligation under the terms of the lease in question.

4. This Sublease shall be binding upon and inure to the benefit of the parties hereto, their successors and assigns. This Sublease shall be construed in accordance with the laws of the State of North Carolina.

5. The Assignee shall be primarily responsible for all rents and other obligations as set forth in the lease attached hereto; the Assignor shall retain responsibility to the Landlord for any obligations not met by Assignee.

IN TESTIMONY WHEREOF, the parties hereto have caused this instrument to be executed in duplicate originals as of the day and year first above written.

Assignor: Roger Tillison (SEAL)  
Roger Tillison

Cathy Tillison (SEAL)  
Cathy Tillison

Assignee: Tamara Flick (SEAL)  
Tamara Flick

Landlord: Courtyard Associates (SEAL)  
Courtyard Associates

Subscribed and sworn to before me this  
12<sup>th</sup> day of March, 2001, County Vance,  
State N.C.

Notary Public: Lara P. White  
My Commission Expires the 18<sup>th</sup> day Oct, 2002

NOTICE OF RENEWAL OF LEASE

This Notice of Renewal of Lease is given by Roger Tillison & Cathy Tillison, hereinafter referred to as "Tenant" to Courtyard Associates, a North Carolina Limited Partnership, hereinafter referred to as "Lessor."

WHEREAS, Lessor and Tenant have previously entered into a certain Lease Agreement dated October 6, 1989, wherein Lessor leased and demised to Tenant a certain portion of The Courtyard generally known and referred to as "Space 18," 431 West Franklin Street, Chapel Hill, North Carolina; and

WHEREAS, by the terms of said Lease, the Tenant had an initial term of two (2) years, commencing November 1, 1989 and terminating October 31, 1991, as specified therein; and

WHEREAS, Tenant renewed said Lease for a period of three (3) years commencing November 1, 1991 and terminating October 31, 1994, and again renewed from November 1, 1994 extending to October 31, 1997, and again renewed from November 1, 1997, extending to October 31, 2000; and

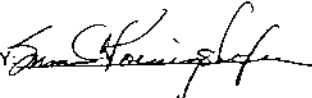
WHEREAS, the Tenant desires to renew the Lease under the same terms and conditions as the above stated lease, for an additional period of three (3) years, and desires to give Lessor notice thereof.

NOW, THEREFORE, in consideration of the premises and covenants set forth and contained herein, and as set forth and contained in said Lease dated October 6, 1989, Tenant does hereby renew said Lease for an additional period of three (3) years, commencing November 1, 2000 and terminating October 31, 2003, with the rental rates to be adjusted by the Consumer Price Index (CPI-U), on the anniversary date each year.

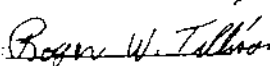
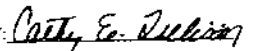
This is the 19 day of October, 2000.

ACCEPTED AND AGREED:

COURTYARD ASSOCIATES (LESSOR):

BY:   
BY: \_\_\_\_\_

GREAT CUTS (TENANT):

BY:   
BY: 

**NOTICE OF RENEWAL OF LEASE**

This Notice of Renewal of Lease is given by Roger Tillison and Kathy Tillison, hereinafter referred to as "Tenant" to Courtyard Associates, hereinafter referred to as "Lessor."

WHEREAS, Lessor and Tenant have previously entered into a certain Lease Agreement dated October 6, 1989, wherein Lessor leased and demised to Tenant a certain portion of The Courtyard generally known and referred to as "Space 18", 431 West Franklin Street, Chapel Hill, North Carolina; and

WHEREAS, by the terms of said Lease, the Tenant had an initial term of two (2) years, commencing November 1, 1989 and terminating October 31, 1991, as specified therein; and

WHEREAS, Tenant renewed said Lease for a period of three (3) years commencing November 1, 1991 and terminating October 31, 1994, and again renewed from November 1, 1994 extending to October 31, 1997; and

WHEREAS, Tenant desires to renew this Lease under the same terms and conditions as said lease, for an additional period of three (3) years, and desires to give lessor notice thereof.

NOW, THEREFORE, in consideration of the premises and covenants set forth and contained herein, and as set forth and contained in said Lease dated October 6, 1989, Tenant does hereby renew said Lease for an additional period of three (3) years, commencing November 1, 1997 and terminating October 31, 2000, with the rental rates to be adjusted by the Consumer Price Index, on the anniversary date.

This is the 7 day of October, 1997.

COURTYARD ASSOCIATES:

BY: AL Koenigsberg

BY: AL Koenigsberg

GREAT CUTS:

BY: Roger W. Tillison

BY: Kathy E. Tillison

COUNTY OF ORANGE

This Notice of Renewal of Lease is given by ROGER TILLISON AND KATHY TILLISON, hereinafter referred to as "Tenant" to COURTYARD ASSOCIATES, hereinafter referred to as "Lessor."

WHEREAS, Lessor and Tenant have previously entered into a certain lease agreement dated October 6, 1989, wherein Lessor leased and demised to Tenant, a certain portion of The Courtyard generally known and referred to as "18", 431 West Franklin St., Chapel Hill, North Carolina; and

WHEREAS, by the terms of said Lease, the Tenant had an initial term of Two years (2) commencing November 1, 1989 and terminating October 31, 1991, as specified therein; and

WHEREAS, Tenant renewed said Lease for a period of Three (3) years commencing November 1, 1991, and terminating October 31, 1994; and

WHEREAS, Tenant desires to exercise such option to renew this lease under the same terms and conditions as said lease, for an additional period of Three (3) years, and desires to give Lessor notice thereof.

NOW, THEREFORE, in consideration of the premises and covenants set forth and contained herein, and as set forth and contained in said lease, dated October 6, 1989, Tenant does hereby renew said Lease for an additional period of Three (3) years, commencing November 1, 1994, and terminating October 31, 1997, with the rental rates to be adjusted by the Consumer Price Index, on the anniversary date.

This is the 8 day of September, 1994.

COURTYARD ASSOCIATES

GREAT CUTS

BY: [Signature] 9/22/94  
[Signature] 9/22/94

BY: [Signature]  
ROGER TILLISON  
BY: [Signature]  
KATHY TILLISON

STATE OF NORTH CAROLINA  
COUNTY OF GRANGE

NOTICE OF RENEWAL OF LEASE

This Notice of Renewal of Lease is given by ROGER TILLISON AND KATHY TILLISON, hereinafter referred to as "Tenant" to COURTYARD ASSOCIATES, hereinafter referred to as "Lessor".

WHEREAS, Lessor and Tenant have previously entered into a certain lease agreement dated October 6, 1989, wherein Lessor leased and demised to Tenant a certain portion of The Courtyard generally known and referred to as "15", 431 West Franklin St., Chapel Hill, North Carolina; and

WHEREAS, by the terms of said lease, the Tenant had an initial term of Two years (2) commencing November 1, 1989, and terminating October 31, 1991, as specified therein; and

WHEREAS, Tenant desires to renew this lease under the same terms and conditions, for an additional period of Three (3) years, and desires to give Lessor notice thereof.

NOW, THEREFORE, in consideration of the premises and covenants set forth and contained herein, and as set forth and contained in said lease, dated October 6, 1989, Tenant does hereby renew said lease for an additional period of Three (3) years, commencing November 1, 1991, and terminating October 31, 1994, with the rental rates to be adjusted by the Consumer Price Index, on the anniversary date.

This is the 13<sup>th</sup> day of July, 1991.

COURTYARD ASSOCIATES

BY: 

J.R. Koenig

GREAT CUTS

BY: 

Roger Tillison

BY: 

Kathy Tillison

C:REN.LEA

THIS LEASE AGREEMENT (the "Lease") made and entered into as of the 6<sup>th</sup> day of October, 1989, by and between Courtyard Associates/Chapel Hill hereinafter called "Landlord"; and Roger Tillison and Kathy Tillison hereinafter called "Tenant";

W I T N E S S E T H

For the consideration and mutual covenants set forth herein, Landlord hereby leases to Tenant and Tenant hereby rents from Landlord the Demised Premises (as defined in Section cc of Basic Information), in accordance with the terms and conditions hereinafter set forth:

Basic Information at Commencement of Lease

Basic information is provided for the convenience of the parties; however, the terms of the lease numbered 1 through 26 shall govern the relationship of the parties.

- (aa) Landlord's Address: 431 W. Franklin St., The Courtyard Chapel Hill, NC 27514
- (bb) Tenant's Trade Name and Address: Great Cuts #18 - The Courtyard Chapel Hill NC 27514
- (cc) Demised Premises: approximately 332 square feet in Space Number 18 of The Courtyard as set forth in Exhibit A, including any alterations, additions, or repairs made thereto.
- (dd) Commencement Date: November 1, 1989 (see 5).
- (ee) Expiration Date: October 31, 1991 (see 5).
- (ff) Minimum Rent: \$415.00 per month, payable in advance (see 1.a).
- (gg) Percentage Rent: 6% of gross sales (see 1.b).
- (hh) Initial Common Area Maintenance Charge Per Month: \$23.52 based upon \$.85 per square foot annually (see 9).
- (ii) Security Deposit: \$415.00 (see 4).
- (jj) Permitted Uses: Tenant will use the Demised Premises solely for the purpose of conducting the business of: Beauty Salon

Tenant will occupy the leased premises for no other purpose and such use and occupancy will be in compliance with all applicable laws, ordinances, and governmental regulations. The Tenant agrees to conduct continuously in the leased premises the business above stated.

- (kk) Marketing Fund: \$75.00 (see 10).
- (ll) Renewal options (see 5):
- (mm) Parking: \$20.00

This lease is made and accepted by Tenant upon the following express conditions, all and every one of which Tenant covenants and agrees faithfully to observe, keep, and perform:

1. RENT AND ADJUSTMENTS

- a. Minimum Rent will be paid in advance on the first day of every month until the expiration of the said term, the first installment being due and payable on the execution of this agreement and the remaining installments of said payments to

be made by Tenant at the office of Landlord, or at such other place as Landlord may designate in writing, without deduction or demand.

b. Percentage Rent will be paid monthly on all gross receipts for the preceeding month, as described below. Such payments to be made concurrently with the submission by Tenant to Landlord of the written statement of the monthly gross receipts for each and every month on or before the fifteenth day of the month following.

From November 1, 1989 through October 31, 1991 tenant shall pay as rent 6% of gross monthly sales, calculated and payable monthly, less the minimum of \$15.00 /sq ft per year (\$4,980.00 annually), due and payable on the first of every month.

From N/A through N/A tenant shall pay as rent 6% of gross monthly sales, calculated and payable monthly, less the minimum of the previous year's annual rent as adjusted by the Consumer Price Index, due and payable on the first of every month.

From N/A through N/A tenant shall pay as rent each lease year, 6% of gross monthly sales, calculated and payable monthly, less the minimum of the previous year's annual rent as adjusted by the Consumer Price Index, due and payable on the first of every month.

c. Cost of Living Adjustment. Landlord and Tenant agree that the Minimum Annual Rent will be adjusted as soon as practicable after January 1 and July 1 of each year during the lease term (each hereinafter referred to as an "Adjustment Date") to reflect any increase in the Consumer Price Index for Urban Consumers, U.S. City Average, All Items (1967=100) published by the Bureau of Labor Statistics of the United States Department of Labor ("CPI-U"). Each such adjustment shall thereafter be applicable to such payment of Monthly Minimum Rent due hereunder. On each Adjustment Date the adjusted Monthly Minimum Rent shall be determined by dividing the original Monthly Minimum Rent by the index number published in the issue of "Monthly Labor Review" for the month preceding the date of execution of this lease, and subsequently multiplying that amount by the index number published in the "Monthly Labor Review" for the month immediately preceding each Adjustment Date. If the "Consumer Price Index" published by the Bureau of Labor Statistics is discontinued then the parties shall in good faith, agree on a suitable substitute. In no event shall the rental payable hereunder be reduced by any such adjustment.

d. Late Charges. Any rental due Landlord under this lease shall be considered past due for purposes hereof on the fifth day of any month, and shall incur, for failure to make timely payment of rent, a late payment penalty of \$50.00. In addition, there will be a monthly interest charge of 1 1/2% per month for that and each subsequent month past due. Any other amounts payable to Landlord under this lease with the exception of rent, shall be considered past due thirty (30) days from Landlord's billing date and shall incur a monthly interest charge of 1 1/2% for that and each subsequent month past due. (A monthly rate of 1 1/2% is equivalent to an annual percentage rate of 18%).

e. Tax Adjustment. Landlord and Tenant agree that the Minimum Annual Rent shall be further adjusted as of January of each year in accordance with the following provisions:

"Base Year" shall mean the calendar year of the date of this lease.

"Comparison Year" shall mean each relevant successive calendar year commencing with the January next following the date of this lease.

"Taxes" shall mean any and all real estate taxes and installments of any federal, state or local governmental agency upon the Shopping Center and its appurtenant land.

If the Taxes payable for the relevant Comparison Year shall exceed the Taxes paid in the Base Year, the Tenant shall pay, as additional rent, the increase as follows:

The net increase in Taxes between the Base Year and the Comparison Year shall be multiplied by a fraction, the numerator of which is the number of square feet in the Demised Premises and the denominator of which is the number of net leasable square feet in the Shopping Center (exclusive of parking and common areas which are not the subject of rental charges).

Notwithstanding anything contained in this paragraph, the monthly installment of rent payable by Tenant shall in no event be reduced.

f. Additional Rent. Wherever it is provided in this lease that Tenant is required to make any payment to Landlord, including penalties and interest on late payments, such payment will be deemed to be Additional Rent and all remedies applicable to the nonpayment of rent will be applicable thereto. Notwithstanding the foregoing, such Additional Rent will not be deemed to be Minimum Rent and will not be deducted from Percentage Rent or be considered in connection with the computation of Percentage Rent.

Minimum Rent, Percentage Rent, and Additional Rent will be paid without counterclaim, setoff, deduction, or defense.

## 2. DEFINITION OF GROSS RECEIPTS.

As used in this lease, the term "Gross Receipts" means the aggregate selling price of all merchandise sold or delivered at or from any part of the Demised Premises by Tenant or Tenant's agents, and the charges for all services sold or performed at or from any part of the Demised Premises by Tenant or Tenant's agents. Gross Receipts include all sales and charges for cash or credit as reported as sales for any and all tax purposes. Credit sales will be included in Gross Receipts regardless of collections.

Gross Receipts excludes refunds made by Tenant to its customers for merchandise returned to Tenant, exchanges of merchandise between stores of Tenant where such exchanges are made solely for the convenient operation of Tenant's business, and the amount of any city, county, or state sales tax on sales paid to a taxing authority by Tenant (but not by any vendor of Tenant).

A sale will be deemed to be made in the Demised Premises if the merchandise or services are ordered at the Demised Premises and is filled at the Demised Premises or elsewhere; or, if the merchandise or services are ordered elsewhere, but the order is filled at or from the Demised Premises or the merchandise is delivered from the Demised Premises; or, if the sale is made at a temporary store; or, if the sale is made from any non-retail establishment.



3. RECORD KEEPING.

a. Statements of Gross Receipts. Within fifteen (15) days after the end of each calendar month of the term of this lease, Tenant shall deliver to Landlord an accurate statement signed and certified as correct by the Tenant, or by a principal executive of Tenant, if Tenant be a corporation, showing the gross receipts of the preceding calendar month or fraction of a calendar month, as the case may be. Gross Sales Reports must be submitted as a copy of the North Carolina gross sales reporting form. Tenant shall pay a penalty of \$50 for late submittal of this statement. Within thirty (30) days after the end of each lease year or termination or expiration of this lease, Tenant shall deliver to Landlord a cumulative statement showing the gross receipts made in, at or from the Demised Premises for the preceding lease year. Such statement shall be certified by a certified public accountant and if the Tenant shall not theretofore have paid to the Landlord the full amount of percentage rent payable for the period of such cumulative statement make payment of any balance due for the period of the cumulative statement.

b. Books. Tenant will maintain (and cause any licensee and subtenant to maintain) full and accurate books of account and records from which Gross Receipts can be determined and which will be conveniently segregated from other business matters. These books of account and records will be kept in the Demised Premises or in the city where Tenant's main office is located. The records will be so kept and maintained (properly totaled and added) for at least thirty-six (36) months after the end of the period in question. The foregoing books and records so required to be kept and maintained will include all federal, state, and local tax returns; records of daily bank deposits of the entire receipts from transactions at or from the Demised Premises; sales slips; daily dated cash register tapes; sales books; duplicate bank deposit slips; and bank statements.

c. Inspection and Audit. Landlord or its duly authorized representatives may at any reasonable time or from time to time inspect or audit any or all of Tenant's books, documents, records and sales tax returns, which will in any manner be related to gross receipts. Tenant, upon written request by Landlord, will make all such data available for such examination at the Demised Premises, at such reasonable times as Landlord will specify in such written request. If Landlord makes an audit for any lease year, and if the gross receipts shown by Tenant's statement for such lease year are found to be understated by two percent (2%) or more, then Tenant will pay to Landlord the cost of such audit in addition to any deficiency payment required. A report of the findings will be binding and conclusive upon Landlord and Tenant. Landlord's right to commence such an audit with respect to any lease year will expire twelve (12) months after receipt by Landlord of Tenant's statement for such lease year; provided, however, that if such an audit reveals an understatement by Tenant of two percent (2%) or more, Landlord may audit all previous years within the following twelve (12) months. The furnishing by Tenant of any grossly inaccurate statement will constitute a breach of this lease. Any information obtained by Landlord as a result of such an audit will be held in strict confidence by Landlord except in any proceeding or action to collect the cost of such audit or deficiency or with respect to a prospective sale, mortgage or lease of The Courtyard.

4. SECURITY DEPOSIT.

Landlord acknowledges receipt upon execution hereof from Tenant of the sum of ~~Four Hundred Fifteen~~<sup>415.00</sup> Dollars (\$ 415.00 ) to be held as collateral security for the payment of any rentals and other sums of money payable to Landlord under this Lease Agreement and for the faithful performance by Tenant of all other covenants, conditions and agreements of this Lease

Agreement; the amount of said deposit, without interest, to be repaid to Tenant after the termination of this Lease Agreement and any renewal thereof, provided Tenant shall have made all such payments and performed all such covenants, conditions and agreements.

In the absence of evidence satisfactory to Landlord of any assignment of the right to receive the Security or the remaining balance thereof, Landlord may return the Security to the original Tenant, regardless of one or more assignments of Tenant's interest in the Security. In such event, upon the return of the Security (or balance thereof) to the original Tenant, Landlord will be completely relieved of liability with respect to the Security.

In the event of a transfer of Landlord's interest in the Demised Premises, Landlord will have the right to transfer the Security to the transferee of Landlord's interest. In such event, Landlord will be deemed released by Tenant from all liability for the return of the Security and Tenant agrees to look solely to the transferee for the return of the Security.

The Security will not be mortgaged, assigned, or encumbered by Tenant. No action by Landlord in enforcing its rights with respect to a Default will be deemed to be a termination of this lease so that Tenant will be entitled to the return of the Security. No Mortgagee will be liable for the return of the Security.

#### 5. TERM OF LEASE.

The term of this lease and Tenant's obligation to pay rent, shall commence on November 1, 1989. The term of this lease shall be for Two (2) years and Two (0) months following the commencement.

Renewal options are:

#### 6. IMPROVEMENTS.

a. Quality of Work and Approval of Landlord. Tenant will not make any alterations, additions, or improvements to the Demised Premises without the prior written consent of Landlord, excepting the installation of unattached movable trade fixtures which may be installed without drilling, cutting, or otherwise defacing the Demised Premises.

All construction work done by Tenant within the Demised Premises shall be performed in a good workmanlike manner, in compliance with all governmental requirements and with all the terms of this lease and at such times and in such manner as to cause a minimum of interference with other construction in progress and with the transaction of business in The Courtyard. If required by Landlord, Tenant shall, at Tenant's sole cost and expense, erect and install a temporary enclosure approved by Landlord to enclose the Tenant's space during construction therein. All costs of such work shall be paid promptly so as to prevent the assertion of any liens for labor or materials. Tenant agrees to indemnify and hold Landlord harmless against any loss, liability or damage resulting from such work or liens filed.

Whenever Tenant proposes to do any construction work within the Demised Premises it shall first furnish to Landlord plans and specifications in such detail as Landlord may request covering all such work. Such plans and specifications shall comply with such requirements as Landlord may from time to time prescribe for construction within The Courtyard. In no event shall any construction work commence within the Demised Premises without Landlord's written approval of such plans and specifications.

plans and specifications of Tenant's work shall include by way of illustration and not by way of limitation a detailed rendering of the lay-out, design, location and type of electrical fixtures and equipment, materials to be used, colors, and any other relevant data requested by Landlord.

All additions, alterations, and improvements (including but not limited to awnings, stained glass windows, additional heating and air conditioning units installed by Tenant) shall become the property of Landlord and be surrendered with the premises at the termination of this lease. Tenant shall have the right to remove or replace its movable trade fixtures, provided Tenant repairs any damage caused by such removal.

All fixtures installed by Tenant shall be new or high quality antiques. Tenant shall not decorate, paint, or alter the Demised Premises, or any part thereof, and shall not install or fix any sign, fixture or attachment on or to the exterior or interior of the Demised Premises, or any building located in The Courtyard, including the roof or the canopy thereof, not place any vents, structure, building, improvement, sign or advertising device, or obstruction of any type or kind upon the community area or upon the Demised Premises without first obtaining Landlord's written consent. If Tenant shall do any of such acts without consent, Landlord may remove any such decoration, paint, alteration, sign or attachment and restore the Demised Premises or community area to the condition thereof prior to such act. The cost of such removal and restoration shall be paid by Tenant as additional rental.

Replacement or repair of exterior door lock(s) initiated by Tenant for security or any other reason shall be done at Tenant's expense. All locks must remain keyed to the Master Key for The Courtyard. A copy of any new keys made for new lock(s) will be given to the Landlord within two (2) days of completion of work.

b. Liens and Claims. Tenant agrees that any alteration or improvement, whether major or minor, shall be made at Tenant's sole risk. Tenant covenants not to permit any contractor's or materialman's lien to attach to the Demised Premises, and agrees to indemnify and hold Landlord harmless from any damages incurred by reason of any claim or lien by an unpaid contractor or materialman, and further agrees to reimburse Landlord for any amounts paid by Landlord to discharge any such contractor's or materialman's lien; provided, however, Tenant shall have the right to contest in good faith by legal proceedings or otherwise any lien asserted against the Demised Premises by any contractor or materialman, and Landlord shall not interfere with and shall assist where reasonably necessary but at no expense to Landlord, in such protest. In the event Tenant shall determine to contest such lien, and in the absence of Tenant's having bonded off the lien as provided by law, Tenant shall post with Landlord a good and sufficient surety bond in an amount not less than one hundred twenty-five percent (125%) of the lien so contested conditioned upon the Tenant paying all the cost of satisfying the lien plus interest and costs which may be determined to be due upon the claim.

#### 7. TENANT'S TAXES.

Tenant shall pay all personal property taxes levied or assessed against the Demised Premises and its contents. Tenant shall also pay all personal property taxes levied or assessed against any personal property now or hereafter owned by Tenant and brought into Orange County; Tenant shall also pay all license fees, occupation fees, privilege taxes and permit fees incidental to the use of the Demised Premises during the term of this Lease. Tenant shall indemnify and hold harmless Landlord against any damage caused by Tenant's failure to pay the taxes. Should Landlord pay any of these taxes on Tenant's behalf, Tenant shall

reimburse Landlord for the expense thereof on or before the due date of the next following rental installment and billed as additional rent.

8. COMMON AREAS.

The common areas are exclusively controlled by the Landlord. The right of customers to use the parking facilities shall apply only while they are shopping or on business in The Courtyard. Tenant agrees that it and its officers and employees will not park their vehicles in any of the paved, contiguous parking lots at any time between 8:00 a.m. and 5:00 p.m., Monday through Friday. Tenant acknowledges that by violating the previous sentence the vehicles will be subject to towing at the owner's expense; and, further, if a tow truck is called and the owner appears before his/her car has been towed, that the owner will still be subject to a charge from the towing company. Tenant acknowledges that The Courtyard parking lot is reserved for customers while doing business at The Courtyard.

Tenant shall not park any trucks or delivery vehicles in the parking areas, nor permit delivery of merchandise at any place other than that designated by Landlord. Landlord shall have the right to enforce parking charges, by meter or otherwise, and to close any part of the common areas for such time as may, in the opinion of Landlord's counsel, be necessary to prevent a dedication thereof, or the accrual of any rights in any person, and to close any part of the parking area for such time as Landlord deems necessary in order to discourage non-customer parking and to do other things in the parking areas as Landlord in its discretion deems necessary for the benefit of The Courtyard.

9. COMMON AREA MAINTENANCE.

For each lease year during the term hereof, Tenant will pay to the Landlord as additional rent hereunder, without deduction or setoff, its proportionate share of all common area maintenance charges and expenses. Tenant's share shall be the total amount of such charges multiplied by the ratio that Tenant's rented floor area bears to the total retail floor space in The Courtyard. Such annual charge shall be paid by Tenant to Landlord in advance in estimated equal monthly installments on the first day of each month when the rent is paid beginning with the Rental Commencement Date.

For each lease year the Landlord shall furnish upon request a certificate of the actual charges for the previous period. The Tenant shall promptly pay any deficiency in its share or deduct any over-payment from the next due month charge. Landlord may adjust the monthly charge every six months to reflect its estimate of the total annual charges; and the first and final months of this lease may be adjusted on a daily basis.

Common area maintenance charges and expenses include the following:

- a. General maintenance of shrubbery and landscaping in The Courtyard, parking areas, and areas of the project facing Franklin Street or Roberson Street.
- b. Maintenance of private well and other watering charges, (allocated to common area use if also applied to other uses).
- c. Replacement of dead plants and landscaping; weeding; mulching.
- d. Planting of annuals in summer; dividing flowering perennials.

- e. Mowing, trimming, re-seeding and fertilizing grass areas.
- f. Cost of electricity, bulbs and maintenance for outdoor lighting in The Courtyard, parking area, and exterior signs.
- g. Maintenance of two public bathrooms (janitorial, repairs, supplies, heating and cooling, general maintenance).
- h. Removal of trash or litter from common areas, including dumpster rental, regular trash pickup and snow removal.
- i. General maintenance of lampposts, fountain, reflecting pool, benches, brick walkways, railings, and planting containers.
- j. Sprinkler monitor hookup system.

The Demised Premises are shown and outlined on Exhibit A attached hereto and are part of the entire Courtyard as described on Exhibit B attached hereto. Said Exhibits set forth a general layout of The Courtyard and shall not be deemed to be a warranty or agreement on the part of Landlord that said Courtyard will remain exactly as indicated on said diagram. Landlord may change dimensions or locations of the walks, building, and parking areas in any manner as Landlord shall deem proper, and reserves the right to make alterations or additions to any building in The Courtyard. Use and occupancy by Tenant of the Leased Premises shall include the use in common with others of the common areas such as facilities. Nothing herein contained shall be construed as a grant or rental by Lessor to Tenant of the roof and exterior of the building or buildings of which the Leased Premises form a part, or of the walks and other common areas beyond the Leased Premises, or of the land upon which the Leased Premises are located.

#### 10. MARKETING FUND.

To promote patron traffic, the image of the Shopping Center and increase patronage, Landlord and Tenant agree to a minimum assessment for advertising, promotion and graphics. This minimum assessment shall be \$75.00 per month, to which the Landlord shall contribute an additional \$25.00 per month. This \$75.00 monthly figure may be adjusted by Landlord upward by a maximum of ten percent (10%) per year each January 1st. The Landlord's contribution will also increase by the same percentage. The funds collected under this minimum assessment shall be used to promote and advertise the Shopping Center and to produce graphic materials to be used in the promotion of the Shopping Center. It shall be Landlord's responsibility to direct the advertising and promotion.

#### 11. UTILITIES.

Tenant shall be solely responsible for and promptly pay all charges for heat, water, sewer, gas, electricity or any other utility used or consumed in the leased premises. In no event shall Owner be liable for an interruption or failure in the supply of such utilities to the leased premises.

Tenant agrees that it may be held responsible for all water consumed or used by Tenant on the Demised Premises. Water use may be separately metered, and Landlord will furnish Tenant with a monthly statement of water use and cost. Tenant agrees to promptly reimburse Landlord for the cost of water upon receipt of such statement, same to be considered as additional rental.

Landlord has provided and installed a sprinkler system from city water line to each tenant's Demised Premises. Tenant agrees to maintain this system within the premises. Cost of periodic testing and maintenance of the system required by local authorities will be paid by the Tenant based on the ratio of the Demised Premises to the total square feet of The Courtyard's leasable space.

The heating and air conditioning shall be thermostatically controlled so that the temperature within the Demised Premises will not be less than 55 F nor greater than 85 F at any time.

#### 12. PROTECTION OF LANDLORD.

Tenant will hold Landlord, it's agents, servants, and representatives harmless from any damages, loss, or expense resulting from the negligent, unlawful or willful acts or omission of Tenant, Tenant's employees, representatives, patrons, or visitors or from the Tenant's failure to perform any obligation imposed upon it by law or the provision of this lease. Tenant agrees to pay for all damage to the building, as well as all damage to tenants or occupants thereof, caused by Tenant's misuse or neglect of said premises, it apparatus, or appurtenances.

Tenant shall store its property in and shall occupy the Demised Premises and all other portions of The Courtyard at its own risk, and releases Landlord to the full extent permitted by law from all claims resulting in loss of life, personal or bodily injury or property damage. Landlord shall not be responsible or liable for any loss or damage to Tenant's business; and Landlord shall not be responsible or liable to Tenant or to those claiming by, through or under Tenant, for any loss or damage to either the person or property of Tenant that may be occasioned by or through the acts or omissions of other Courtyard Tenants.

Landlord shall not be responsible or liable for any defect, latent or otherwise, in any building in The Courtyard or any of the equipment, machinery, utilities, appliances or apparatus therein, nor shall it be responsible or liable for any injury, loss or damage to any person or to any property of Tenant or other person caused by or resulting from bursting, breakage or from leakage, steam, snow, or ice, running, backing up, seepage, or the overflow of water or sewage in any part of said premises or for any injury or damage caused by or resulting from acts of God or the elements, or from the acts of any other occupant of the premises.

Tenant shall give prompt notice to Landlord in case of fire or accidents in the Demised Premises or in the building of which the Demised Premises are a part. In case Landlord shall, without fault on its part, be made a party to any litigation commenced by or against Tenant, then Tenant shall protect and hold Landlord harmless and shall pay all costs, expenses and reasonable attorney's fees. Tenant shall also pay all costs, including expenses and reasonable attorney's fees, that may be incurred or paid by Landlord in enforcing the terms of this lease.

#### 13. INSURANCE.

Tenant will provide and keep in force, for the protection of the general public and Landlord, liability insurance against claims for bodily injuries or death upon or near the leased premises and the service and parking areas adjacent thereto to the extent of not less than One Million Dollars (\$1,000,000.00) in respect to bodily injuries or death, and property damage with limits of not less than Fifty Thousand Dollars (\$50,000.00), and said policy will contain a waiver of subrogation as to Landlord. Such insurance and certificates will name Landlord as an

additional insured for the full amount of the insurance herein required. Tenant will furnish Landlord with satisfactory evidence of such coverage upon commencement of this lease and at every anniversary of this lease.

Landlord shall maintain in effect policies of insurance covering the building and improvements of which the Demised Premises constitute a part, providing protection to the extent of not less than eighty percent (80%) of the insurable value of said building against all casualties included under standard insurance industry practices within the classification "Fire and Extended Coverage, Vandalism and Malicious Mischief." Nothing in this Section shall prevent the taking out of policies of blanket insurance which may cover real and personal property and improvements in addition to the building of which the Demised Premises constitute a part.

At all times during the term of this lease, Tenant shall pay all premiums for and maintain in effect, with a responsible insurance company or companies authorized to do business in North Carolina, policies of insurance for the benefit of Landlord and Tenant, as their interests may appear as follows:

a. Insurance covering Tenant's trade fixtures, furniture, furnishings, equipment, and improvements, providing protection to the extent of not less than eighty percent (80%) of the insurable value of the same against all casualties included under standard insurance industry practices within the classification "Fire and Extended Coverage, Vandalism and Malicious Mischief" and covering sprinkler leakage;

b. Plate glass insurance covering the plate glass in the Demised Premises; and

c. Insurance covering one hundred percent (100%) of Tenant's work as described in Exhibit C against all casualties included under standard insurance industry practices within the classification "Fire and Extended Coverage," and "Builders Risk Coverage," which insurance shall be maintained until Tenant has opened for business. In no event shall Tenant cancel the insurance provided for herein until notice to Landlord and Landlord has included such Tenant's work under Landlord's insurance.

Tenant further agrees that any contractor performing work for Tenant will furnish Tenant with certificates showing evidence of comprehensive public liability insurance. If the Tenant uses a general contractor for improvements, Tenant shall require that the general contractor deliver to Tenant evidence of worker's compensation insurance coverage. If the Tenant is performing his own general contracting work, the Tenant shall deliver to the Landlord evidence of worker's compensation coverage or evidence that, under the Tenant's liability insurance coverage, unpaid worker's compensation claims of any subcontractor are covered.

All policies furnished by Tenant will contain an endorsement providing that the insurer will not cancel, non-renew, or materially change the coverage of said policy or policies without first giving ten (10) days written notice thereof to the Landlord.

At Landlord's option, Landlord may arrange blanket coverage for the comprehensive public liability and comprehensive property damage insurance requirement. In the event Landlord procures such coverage, it shall furnish Tenant with evidence of comprehensive public liability and comprehensive property damage insurance in adequate amounts which show Tenant as a co-insured. Landlord shall prorate the cost of such insurance among all Tenants. Landlord may notify Tenant of the premium amount of such policy in advance and may collect it prior to the effective

date of insurance under such policy.

14. MAINTENANCE.

Landlord will keep the roof and exterior walls of the Demised Premises (but excepting any work done by Tenant and any glass or doors) in proper repair, provided that in each case, when known, Tenant shall give Landlord prior written notice of the necessity of such repairs; and provided further, that if by such repair is required by reason of the negligence of Tenant or any of its agents, employees or customers, or other person using the Demised Premises with Tenant's consent, express or implied, or Tenant's failure to perform any of its obligations under this Section, Landlord may at his option make such repair and add the cost to the next installment of Minimum Rent.

Tenant agrees to maintain in good order and repair the Demised Premises, including fixtures and equipment therein, including but without limitation, the exterior and interior portions of all doors, windows, glass, plumbing and sewage facilities within the Demised Premises, and including free flow up to the main sewer line, heating, air conditioning, and electrical equipment, interior walls, floors and ceilings, including compliance with applicable building codes relative to fire extinguishers, accomplishing any and all repairs, alterations, replacements and modifications at its own expense and using materials and labor of kind and quality equal to the original work. All parts of the interior of the Demised Premises shall be painted or otherwise decorated by the Tenant periodically as determined by the Landlord. Tenant will surrender the Demised Premises at the expiration or earlier termination of this lease in as good condition as when received, excepting only deterioration caused by ordinary wear and tear, and damage by fire or other casualty or act of God.

If any repairs required to be made by Tenant hereunder are not made or commenced or Tenant is not proceeding with due diligence to commence and complete such repairs within ten (10) days after written notice delivered to Tenant by Landlord, Landlord may at its option make such repairs without liability to Tenant for any loss or damage which may result to its stock or business by reason of such repairs, and Tenant shall pay to Landlord upon demand as additional rental hereunder the cost of such repairs plus interest from the date of payment by Landlord until repaid by Tenant.

15. RIGHT TO ENTER.

Landlord, or any of its agents, will have the right to enter the leased premises during all reasonable hours to examine the same or to make such repairs, additions, or alterations as may be deemed necessary for the safety and comfort of the occupants of the building or the preservation of said building, or to exhibit said premises. The right of entry will also exist for the purpose of removing placards, signs, fixtures, alterations or additions, which are not permitted by this agreement or by the rules and regulations of the building, and to abate at Tenant's expense, any condition which constitutes a violation of any of the covenants or conditions of this lease or any of the rules and regulations herein referred to.

16. DAMAGES OR DESTRUCTION OF BUILDING.

If the premises are damaged by fire or other casualty during the term of this lease to the extent the same become untenable, then Landlord will have the right, but will not be obligated, to begin to effect the repairs necessary to make said premises tenable within one hundred eighty (180) days, then Tenant may (1) at its option remain bound by this lease with rent abated till premises are restored, but the term of this lease will not be extended by any period of rental abatement; or (2)

Landlord or Tenant may elect to cancel this lease. In the event of the cancellation of this lease by Landlord or Tenant, the rent will be paid only to the date of such fire or casualty; provided, however, there will be no cessation of rent if the damage results from negligence, default, or willful act of Tenant, its agents, or employees. Notice of election to cancel under the provisions of this paragraph will be in writing. Tenant will, in the event of fire or other casualty to said Demised Premises, give immediate notice thereof to Landlord.

Landlord shall not be responsible for the repair or replacement of any improvements, fixtures, equipment or contents added or owned by Tenant. The responsibility for the repair or replacement of these items shall be Tenant's, and unless and until Tenant shall give to Landlord written adequate assurances that Tenant will make such repair or replacements, Landlord shall not be obligated to repair and restore the Demised Premises as set forth above.

17. EMINENT DOMAIN.

In the event any or all of the exterior common areas is taken under power or authority of eminent domain, Landlord will have the sole claim to any proceeds or awards for or from said taking and the terms, provisions, and covenants of this lease and the rents reserved hereunder will be unaffected.

In the event any or all of the Demised Premises are taken under such power so as to prohibit use of same and make them untenable, in the sole judgment of the Landlord, then Tenant and Landlord will each have the option to terminate this lease as of the date possession thereof will be required to be delivered to the condemning authority. Landlord will have sole claim to any proceeds or awards for or from said taking, but Tenant will have the right to claim separate claim for any personal property or loss of business it may suffer.

18. ASSIGNMENT AND SUBLETTING.

Tenant shall not assign or sublet any part of the Demised Premises without the prior written consent of the Landlord, which may be withheld. The consent of Landlord to any assignment or subletting or other act of Landlord, however, shall not constitute a waiver of the necessity for such consent to any subsequent assignment or subletting; in all events, the Tenant shall remain fully liable and shall not be released from performing any of the terms of this lease.

If Landlord consents to any transfer, assignment, or subletting, such transferee, assignee, or sublessee assumes all of the obligations and liabilities of Tenant under this lease. No assignment or subletting shall apply or be permitted other than during the initial term of this lease. Options or extensions, if any, are available exclusively to Tenant.

19. OPERATION AND CONDUCT OF BUSINESS.

At all times during the term of this lease the Tenant shall keep the entire Demised Premises open for business during regular business hours, and conduct its business in a high class and reputable manner with an adequate staff, and full stock of merchandise, subject to strikes and other causes beyond the Tenant's control.

During the term of this lease Tenant shall not directly or indirectly engage in any similar or competing business within a radius of three miles from the outside boundary of The Courtyard. Tenant shall not perform any acts or carry on any practices which may injure the building, or be a nuisance or menace to other tenants in The Courtyard.

20. HOLDING OVER.

If the Tenant remains in possession after the expiration of the term or any extensions hereof (without the execution of a new lease) the Tenant shall not thereby acquire any right, title or interest in or to the leased premises, and shall be a tenant by sufferance during such holding over on a month-to-month basis. But in such event, the Tenant shall be subject to all the conditions, provisions and obligations of this lease insofar as the same shall then be applicable.

21. SUBORDINATION.

This lease and all leasehold rights hereunder shall be, become and remain subordinate to the lien of any bona fide mortgage or deed of trust now or hereafter imposed upon all or any part of the Demised Premises; and the Tenant shall execute and deliver to Landlord or lender upon request any instruments reasonably requested by the Landlord consenting to the full subordination of this lease to any such mortgage or deed of trust upon the condition that Tenant's rights hereunder shall not be disturbed by a foreclosure or otherwise so long as Tenant is not in default hereunder. Moreover, Tenant shall furnish, upon Landlord's request, estoppel letters to the Landlord pursuant to any request by any mortgage lender, refinancer or other creditor of Landlord. Tenant will furnish such information such as mortgage lender, refinancer or creditor shall require in the estoppel letter and it shall be an event of default under this agreement for the Tenant not to provide the appropriate information.

22. DEFAULT.

If Tenant (a) fails to pay any rental or other payment hereunder as it comes due; or (b) it fails to perform any other of the terms of this lease to be observed or performed by Tenant; or (c) if Tenant shall become bankrupt or insolvent or there is an appointment of a receiver or trustee of all or a portion of Tenant's property, or if Tenant makes an assignment for the benefit of creditors, or petitions for or enters into an agreement; or (d) if this lease shall pass to or devolve upon (by law or otherwise) one other than Tenant except as herein provided then, in any one or more of such events, upon Landlord serving a written Notice of cancellation upon Tenant specifying the nature of such default and the period allowed to cure the default, if Tenant shall have failed to comply with or remedy such default within such period, then this lease and the term thereunder shall (at the option of Landlord) terminate on the date specified in such Notice. Tenant shall thereupon surrender the Demised Premises to the Landlord as if the term hereunder ended by expiration, but Tenant shall remain liable as hereinafter provided.

The Written Notice required of Landlord under the preceding section shall provide for five (5) days of grace to cure a monetary default, or thirty (3) days to cure a non-monetary default which can be reasonably be cured in thirty (30) days; and for any non-monetary default not curable in thirty (30) days, that Tenant shall commence to cure within thirty (30) days and thereafter proceed diligently and in good faith in complete the curing of said default as soon as possible.

If the Notice provided shall have been given and the term shall expire as aforesaid, or should Landlord elect not to terminate this lease, Landlord shall have the immediate right to re-enter and may remove all persons and property from the Demised Premises and such property may be removed and stored in a public warehouse or elsewhere at the cost of, and for the account of Tenant, all without service of Notice or resort to legal process (all of which Tenant expressly waives) and without being deemed

being guilty of trespass, or becoming liable for any loss or damage which may be occasioned thereby. Landlord shall have a lien for the payment of all sums agreed to be paid by Tenant herein upon all Tenant's property, which is to be in addition to Landlord's lien now or that may thereafter be provided by law.

In the event the landlord incurs any expenses or fees included but not limited to legal and accounting fees, in the enforcement of landlord's rights under the term of this lease, tenant agrees to reimburse for such reasonable expenses as additional rent.

### 23. REMEDIES.

Should Landlord elect to re-enter or should it take possession pursuant to legal proceedings or pursuant to any Notice provided for by law, it may make such alterations and repairs as may be necessary in order to relet the premises, and relet said premises or any part thereof for such terms and at such rentals and conditions as Landlord in its sole discretion may deem advisable. Upon each such reletting, all rentals received by Landlord from such reletting shall be applied, first, to the payment of any indebtedness other than rent due hereunder from Tenant to Landlord; second, to the payment of any cost and expenses of such reletting, including brokerage fees and attorney's fees, and the cost of such alterations and repairs; third, to the payment of rent, due and unpaid hereunder, and the residue, if any, shall be held by Landlord and applied in payment of future rent. If rentals received from reletting during any month are less than that to be paid during that month by Tenant hereunder, Tenant shall pay any such deficiency to Landlord. Such deficiency shall be calculated and paid monthly. Landlord may recover from Tenant all damages it may incur by reason of Tenant's default, including the cost of recovering the leased premises, reasonable attorney's fees, and including the worth at the time of such termination of the excess, if any, of the amount of rent and charges equivalent to rent reserved in this lease for the remainder of the stated term over the then reasonable rental value of the Demised Premises for the remainder of the stated term, all of which amount shall be immediately due and payable from Tenant to Landlord. For the purposes of this Article, percentage rent for any period after default shall be the same amount as paid during the previous number of months; where the number is equal to the number in default; or, the average of the previous months if fewer than the default. In the event Tenant fails to pay the rents when due, or fails to pay any other sums that are due and Landlord shall advance same, in collection proceedings or instituted by Landlord, Tenant shall become obligated for, and shall pay, all costs of collection, including an attorney's fee of fifteen percent (15%) of the past due rents and/or monies advanced if such collection is effectuated by an attorney. The parties agree that the rental covenants set forth herein as well as all other financial obligations of Tenant are evidence of indebtedness for the purposes of this paragraph.

a. In the event of a breach or threatened breach by Tenant of any provision of this lease, Landlord will have the right of injunction as if other remedies were not provided for herein.

b. The rights and remedies given to Landlord in this lease are distinct, separate, and cumulative remedies, and the exercise of any of them will not be deemed to exclude Landlord's right to exercise any or all of the others or those which may be permitted by law.

c. Landlord will in no event be in default in the performance of any of its obligations in this lease contained unless and until Landlord will have failed to perform such obligation within thirty (30) days, or such additional time

as is reasonably required to correct any such default, after written notice by Tenant to Landlord properly specifying wherein Landlord has failed to perform any such obligation.

24. QUIET ENJOYMENT.

Landlord covenants that if Tenant pays the rent and all other charges provided for in this lease, performs all of its obligations provided for under this lease, and observes all of the other provisions of this lease, Tenant will peaceably and quietly enjoy the Demised Premises in accordance with the terms of this lease without any interruption or disturbance from Landlord.

25. RELOCATION.

a. Substitute Premises. If the Premises comprise 2,000 square feet or less, Landlord, at its option, may substitute for the Leased Premises other space (hereafter called "Substitute Premises") within a building at the site before the Commencement Date or at any time during the term or any extension of this Lease. As far as is reasonably possible, the Substitute Premises shall have a comparable foot area and a configuration substantially similar to the Leased Premises. Landlord shall pay Tenant's reasonable cost of moving Tenant's furnishings, trade fixtures, inventory, and existing telephone system to the Substitute Premises. Except as provided in this Section, Landlord shall not be liable or responsible in any way for damages or injuries suffered by Tenant pursuant to the relocation in accordance with this provision including, but not limited to, loss of goodwill, business or profits.

b. Notice. Landlord shall give Tenant at least sixty (60) days notice of its intention to relocate Tenant to the Substitute Premises. This notice will be accompanied by a floor plan of the Substitute Premises. After such notice, Tenant shall have ten (10) days within which to agree with Landlord on the proposed new space and unless such agreement is reached within such period of time, the lease shall terminate at the end of the sixty (60) day period of time following this notice.

c. Alteration of Substitute Premises. Landlord agrees to construct or alter, at its own expense, the Substitute Premises as expeditiously as possible so that it is in substantially the same condition that the Leased Premises was in immediately prior to the relocation. Landlord shall have the right to reuse the fixtures, improvements, and alterations used in the Leased Premises. Tenant agrees to occupy the Substitute Premises as soon as Landlord's work is substantially completed.

d. Rent During and After Relocation. Except as provided above, Tenant agrees that all of the obligations of this Lease including the payment of rent, will continue despite Tenant's relocation to the Substitute Premises. Upon substantial completion of the Substitute Premises, this Lease will apply to the Substitute Premises as if it had been the space originally described in the Lease.

Landlord shall use all reasonable efforts to minimize any period when the Leased Premises shall be closed to the public as a result of relocation. Tenant's rent shall abate from the date the Leased Premises is closed until the date the Substitute Premises is open for business. Tenant agrees to use all reasonable efforts to open for business in the Substitute Premises as quickly as is reasonably possible under the circumstances.

26. MISCELLANEOUS.

Other provisions:

a. Recordation. Upon the request of either party, the other party will in good faith cooperate in the preparation and execution of a recordable short form lease substantially in the form of the Basic Information. Tenant will in no event record this lease, whether in full or in part.

b. Statement of Accounts. Tenant's failure to object to any statement, invoice, or billing rendered by Landlord within a period of sixty (60) days after receipt thereof will constitute Tenant's acquiescence with respect thereto and will render it an account stated between Landlord and Tenant.

c. Brokers. Tenant represents and warrants that there are no claims for brokerage commissions or finder's fees in connection with the execution of this lease and agrees to indemnify Landlord against and hold it harmless from all liabilities arising from any such claim, including cost of counsel.

d. Rules and Regulations. The rules and regulations attached as Exhibit C are hereby made a part of this lease, and Tenant agrees to comply with and observe the same. Tenant's failure to keep and observe said rules and regulations will constitute a breach of the terms of this lease. Landlord reserves the right from time to time to amend or supplement said rules and regulations, and to adopt additional, reasonable rules and regulations uniformly applicable to the Demised Premises and The Courtyard.

e. Successors and Assigns. The covenants and agreements herein contained are binding on the parties hereto, their successors, assigns, and legal representatives. This lease embodies all of the understandings and agreements of the parties, and the terms hereof will not be changed or varied except by written instrument signed by both parties.

f. Civil Strife. Anything in this agreement to the contrary notwithstanding, providing such cause is not due to the willful act or neglect of the Lessor, the Lessor shall not be deemed in default with respect to the performance of any of the terms of this lease if same shall be due to any strike, lockout, civil commotion, war-like operation, invasion, rebellion, hostilities, military, or usurped power, sabotage, governmental regulations or controls, inability to obtain any material service or financing, through Act of God or other cause beyond the control of the Lessor. No excuse of Lessor's performance as provided above shall be grounds for any rent abatement on behalf of Tenant.

IN WITNESS WHEREOF, the parties hereto have set their hands and seals on the day and year first above written.

Courtyard Associates/Chapel Hill  
A Limited Partnership

BY: *[Signature]*  
General Partner

*Robert W. Tillman, Cathy E. Tillman*  
Tenant

BY: \_\_\_\_\_  
President

BY: \_\_\_\_\_  
Secretary

(Corporate Seal)

NORTH CAROLINA

ORANGE COUNTY

I, Lou Ann Craven a Notary Public of the County and State aforesaid, certify that Daniel Kornisbiter, Manager of Courtyard Associates/Chapel Hill, personally appeared before me this day and acknowledged the execution of the foregoing instrument.

Witness my hand and official stamp or seal, this 6th day of October, 1989.

My commission expires:

11-13-91

Lou Ann Craven  
Notary Public

NORTH CAROLINA

ORANGE COUNTY

I, Lou Ann Craven a Notary Public of the County and State aforesaid, certify that Roger W. Tillison and Cathy E. Tillison personally came before me this day and, being first duly sworn, acknowledged the due execution of the foregoing instrument.

Witness my hand and official stamp or seal, this 6th day of October, 1989.

My commission expires:

11-13-91

Lou Ann Craven  
Notary Public

NORTH CAROLINA

ORANGE COUNTY

I, \_\_\_\_\_, a Notary Public of the County and State aforesaid, certify that \_\_\_\_\_ personally came before me this day and acknowledged that he is Secretary of \_\_\_\_\_, a North Carolina corporation; the foregoing instrument was signed in its name by its President, sealed with its corporate seal and attested by \_\_\_\_\_ as its Secretary.

Witness my hand and official stamp or seal, this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_.

My commission expires:

\_\_\_\_\_

\_\_\_\_\_  
Notary Public

EXHIBIT "C"

RULES AND REGULATIONS

COURTYARD ASSOCIATES/CHAPEL HILL - LANDLORD

LEASE DATED October 6, 1989

1. Subject to the right of Landlord to make changes from time to time, Tenant shall comply with the following rules, unless waived by Landlord in writing:

A. Keep its display windows dressed and illuminated, and its exterior and interior signs and lights suitably lighted from store opening hours to midnight or such other hours as set by Landlord;

B. Keep the Demised Premises, including all entrances, all improvements thereon, and all windows, doors and glass fixtures in a safe, neat and clean condition at all times;

C. Store or stock in the Demised Premises only such goods, merchandise or other property as shall be reasonably required in connection with Tenant's business on the Demised Premises;

D. Use for office, clerical or other non-selling purposes only such space in the Demised Premises as is from time to time reasonably required for Tenant's business therein;

E. Store all trash and garbage in adequate containers within the Demised Premises, maintained in a neat and clean condition and located as Landlord shall from time to time designate, and so as not to be visible to the public in or outside The Courtyard and so as not to create or permit any health or fire hazard, and arrange for the regular removal thereof as directed or provided by Landlord;

F. Not overload any floor in the Demised Premises; or use or operate any machinery that in Landlord's opinion is harmful to the building or disturbs other tenants in The Courtyard;

G. Not use any portion of the Demised Premises as living quarters, sleeping apartments or lodging rooms;

H. Not use the plumbing facilities for any purpose other than that for which they were constructed and not to dispose of any damaging or injurious substance therein;

I. Not conduct any going-out-of-business, fire, bankruptcy, auction or other distress sale on the Demised Premises;

J. Not obstruct any sidewalks, walkways or areas of The Courtyard by the keeping, displaying, advertising or sale of any merchandise or other object such as a sidewalk sale;

K. Not install on or about the Demised Premises any exterior lighting, amplifiers or similar devices and/or not to use in, on or about the Demised Premises any advertising medium which may be heard or experienced outside the Demised Premises, such as flashing lights, searchlights, loudspeakers, phonographs, televisions or radio broadcasts;

L. Not install a television antenna upon or within any building or improvement in The Courtyard and if Tenant connects with any master antenna provided by Landlord, Tenant shall furnish and install any and all wiring and booster systems related to such connection and the operation within the Demised Premises of television receivers, and Tenant shall pay to Landlord such reasonable connection or subscription charges as Landlord may establish;

M. Not operate any coin or token operated vending machine or similar device for the sale of any goods, merchandise, food, beverages, or services including, but not limited to, pay telephones, pay lockers, scales, amusement devices and machines for the sale of beverages, foods, candy, cigarettes or other commodities;

N. Not permit the extermination of vermin to be performed in, on or about the Demised Premises, except by a person or company designated by Landlord and at times designated by Landlord;

O. Comply with any and all requirements of any of the constituted public authorities and within the terms of any State or Federal statute, ordinance or regulation applicable to Tenant or its use of the Demised Premises, and save Landlord harmless from penalties, fines, costs, expenses or damages resulting from failure to do so;

P. Give to Landlord prompt written notice of any accident, fire or damage occurring on or to the Demised Premises and the community areas;

Q. Perform all loading and unloading of goods only at such times, in the areas and through such entrances as may be designated for such purposes by Landlord. Trailers or trucks servicing the Demised Premises shall remain parked in the shopping center only from 12:01 a.m. to 8:00 a.m., unless otherwise expressly consented to by Landlord;

R. Keep the outside area immediately adjoining the premises clean and free from ice and snow, and not place or permit any rubbish obstructions or merchandise in such areas;

S. Keep the Demised Premises clean, orderly, sanitary and free from objectionable odors and from insects, vermin and other pests, and not keep any live animals of any kind in or upon the Demised Premises;

T. Require Tenant and Tenant's employees to not park their cars in any paved, contiguous lots during business hours. Tenant shall from time to time, upon written notice from Landlord, promptly furnish Landlord with the State automobile license numbers assigned to Tenant's cars and the cars of all Tenant's officers, employees, agents, contractors and licensees;

U. Install such fire extinguishers and other safety equipment as Landlord and/or public authorities may reasonably require;

V. Landlord may require Tenant to operate and keep its business open for the general public not less than 48 hours per week, Monday through Saturday of each week during the lease term; and further, Tenant may be required to keep its business open until 9:00pm on Thursday and Friday at such time as Lessor shall so advise Tenant.

W. All signs used by the Tenant at or about the Demised Premises shall be of such size, make and illumination, and installed at such locations as approved by the Landlord in writing in advance, and in compliance with all applicable building and electrical codes.

X. Tenant agrees to use the words "The Courtyard" and as address, either "W. Franklin St.", "431 W. Franklin St.", or "The West End," followed by "Chapel Hill" in all printed promotional material of Tenant.

Y. Landlord may withdraw from Tenant any implied or granted permission to use thereafter its name or the name of The Courtyard.

MEMORANDUM OF LEASE

Courtyard Associates/Chapel Hill, a Limited Partnership, (hereinafter called "Landlord"), hereby leases to Roger Tillison and Kathy Tillison (hereinafter called "Tenant"), and Tenant hereby rents from Landlord for a period of 2 years property situated in Chapel Hill, North Carolina, and more particularly described as follows: Suite #18 The Courtyard, 431 W. Franklin St.  
All of the provisions set forth in that certain Lease Agreement dated 10-6-89 by and between Landlord and Tenant are hereby incorporated into and made a part of this Memorandum.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be duly executed this 6<sup>th</sup> day of October, 1989.

Courtyard Associates/Chapel Hill (Landlord)

[Signature]  
BY: [Signature]  
General Partner

[Signature] [Signature]  
Tenant

BY: \_\_\_\_\_  
President

BY: \_\_\_\_\_  
Secretary

PARK CITY DEVELOPMENTS, INC.  
921 MORRENE ROAD, SUITE 207  
DURHAM, NC 27705  
(919) 383-8842 FAX: (919) 383-9123

# Special Memo/ Reply

- URGENT
- SOON AS POSSIBLE
- NO REPLY NEEDED

DATE: 10/23/00

ATTENTION: \_\_\_\_\_

FROM

Roger & Cathy Tillison  
Great Cuts

SUBJECT

Renewal of lease

MESSAGE

We are so pleased to have you continue to run your business at The Country Club. You are a valuable tenant to us and we hope for a long and successful operation.

Please find a copy of your renewal of lease.

Sincerely,  
*[Signature]*

SIGNED

REPLY

SIGNED

Instruction to receiver:  
1) Write reply. 2) Keep pink copy. Return white to sender.

PARK CITY DEVELOPMENTS, INC.  
921 MORRENE ROAD, SUITE 207  
DURHAM, NC 27705  
(919) 383-8642 FAX: (919) 383-9123

# Special Memo Reply

- URGENT
- SOON AS POSSIBLE
- NO REPLY NEEDED

DATE: 7/16/00

ATTENTION: \_\_\_\_\_

FROM

Reger, Cathy Tillison  
Great Cuts

SUBJECT  
Renewal of Lease  
Cantylind

MESSAGE

Dear Reger Cathy  
I can send you a copy of a document of lease that I had prepared during lease expiration. Please let me know what steps and what you would like to call if you have any questions.

SIGNED  
*[Signature]*

9/16/00 web 929 5411

REPLY

9/25/00 "In the mail" Reger

SIGNED

Instruction to receiver:  
1) Write reply. 2) Keep pink copy. Return white to sender.

STATE OF NORTH CAROLINA  
COUNTY OF ORANGE

**NOTICE OF RENEWAL OF LEASE**

This Notice of Renewal of Lease is given by **Roger Tillison & Cathy Tillison**, hereinafter referred to as "Tenant" to **Courtyard Associates**, a North Carolina Limited Partnership, hereinafter referred to as "Lessor."

WHEREAS, Lessor and Tenant have previously entered into a certain Lease Agreement dated October 6, 1989, wherein Lessor leased and demised to Tenant a certain portion of The Courtyard generally known and referred to as "Space 18," 431 West Franklin Street, Chapel Hill, North Carolina; and

WHEREAS, by the terms of said Lease, the Tenant had an initial term of two (2) years, commencing November 1, 1989 and terminating October 31, 1991, as specified therein; and

WHEREAS, Tenant renewed said Lease for a period of three (3) years commencing November 1, 1991 and terminating October 31, 1994, and again renewed from November 1, 1994 extending to October 31, 1997, and again renewed from November 1, 1997, extending to October 31, 2000; and

WHEREAS, the Tenant desires to renew the Lease under the same terms and conditions as the above stated lease, for an additional period of three (3) years, and desires to give Lessor notice thereof.

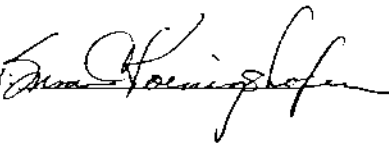
NOW, THEREFORE, in consideration of the premises and covenants set forth and contained herein, and as set forth and contained in said Lease dated October 6, 1989, Tenant does hereby renew said Lease for an additional period of three (3) years, commencing November 1, 2000 and terminating October 31, 2003, with the rental rates to be adjusted by the Consumer Price Index (CPI-U), on the anniversary date each year.

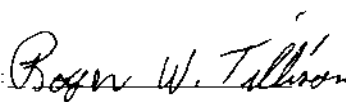
This is the 19 day of October, 2000.

**ACCEPTED AND AGREED:**

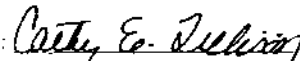
**COURTYARD ASSOCIATES (LESSOR):**

**GREAT CUTS (TENANT):**

BY: 

BY: 

BY: \_\_\_\_\_

BY: 

**NOTICE OF RENEWAL OF LEASE**

This Notice of Renewal of Lease is given by **Roger Tillison and Kathy Tillison**, hereinafter referred to as "Tenant" to **Courtyard Associates**, hereinafter referred to as "Lessor."

WHEREAS, Lessor and Tenant have previously entered into a certain Lease Agreement dated October 6, 1989, wherein Lessor leased and demised to Tenant a certain portion of The Courtyard generally known and referred to as "Space 18", 431 West Franklin Street, Chapel Hill, North Carolina; and

WHEREAS, by the terms of said Lease, the Tenant had an initial term of two (2) years, commencing November 1, 1989 and terminating October 31, 1991, as specified therein; and

WHEREAS, Tenant renewed said Lease for a period of three (3) years commencing November 1, 1991 and terminating October 31, 1994, and again renewed from November 1, 1994 extending to October 31, 1997; and

WHEREAS, Tenant desires to renew this Lease under the same terms and conditions as said lease, for an additional period of three (3) years, and desires to give lessor notice thereof.

NOW, THEREFORE, in consideration of the premises and covenants set forth and contained herein, and as set forth and contained in said Lease dated October 6, 1989, Tenant does hereby renew said Lease for an additional period of three (3) years, commencing November 1, 1997 and terminating October 31, 2000, with the rental rates to be adjusted by the Consumer Price Index, on the anniversary date.

This is the 7 day of October, 1997.

**COURTYARD ASSOCIATES:**

BY: AP Koenigshten

BY: AP Koenigshten

**GREAT CUTS:**

BY: Roger W. Tillison

BY: Kathy E. Tillison

STATE OF NORTH CAROLINA

NOTICE OF RENEWAL OF LEASE

COUNTY OF ORANGE

This Notice of Renewal of Lease is given by ROGER TILLISON AND KATHY TILLISON, hereinafter referred to as "Tenant" to COURTYARD ASSOCIATES, hereinafter referred to as "Lessor."

WHEREAS, Lessor and Tenant have previously entered into a certain lease agreement dated October 6, 1989, wherein Lessor leased and demised to Tenant, a certain portion of The Courtyard generally known and referred to as "18", 431 West Franklin St., Chapel Hill, North Carolina; and

WHEREAS, by the terms of said Lease, the Tenant had an initial term of Two years (2) commencing November 1, 1989 and terminating October 31, 1991, as specified therein; and

WHEREAS, Tenant renewed said Lease for a period of Three (3) years commencing November 1, 1991, and terminating October 31, 1994; and

WHEREAS, Tenant desires to exercise such option to renew this lease under the same terms and conditions as said lease, for an additional period of Three (3) years, and desires to give Lessor notice thereof.

NOW, THEREFORE, in consideration of the premises and covenants set forth and contained herein, and as set forth and contained in said lease, dated October 6, 1989, Tenant does hereby renew said Lease for an additional period of Three (3) years, commencing November 1, 1994, and terminating October 31, 1997, with the rental rates to be adjusted by the Consumer Price Index, on the anniversary date.

This is the 8 day of September, 1994.

COURTYARD ASSOCIATES

GREAT CUTS

BY:

*Phoenighofer 9/22/94*  
*Dr Koendigfer 9/22/94*

BY:

*Roger W. Tillison*  
ROGER TILLISON

BY:

*Kathy Tillison*  
KATHY TILLISON

STATE OF NORTH CAROLINA  
COUNTY OF ORANGE

NOTICE OF RENEWAL OF LEASE

This Notice of Renewal of Lease is given by ROGER TILLISON AND KATHY TILLISON, hereinafter referred to as "Tenant" to COURTYARD ASSOCIATES, hereinafter referred to as "Lessor".

WHEREAS, Lessor and Tenant have previously entered into a certain lease agreement dated October 6, 1989, wherein Lessor leased and demised to Tenant a certain portion of The Courtyard generally known and referred to as "18", 431 West Franklin St., Chapel Hill, North Carolina; and

WHEREAS, by the terms of said lease, the Tenant had an initial term of Two years (2) commencing November 1, 1989, and terminating October 31, 1991, as specified therein; and

WHEREAS, Tenant desires to renew this lease under the same terms and conditions, for an additional period of Three (3) years, and desires to give Lessor notice thereof.

NOW, THEREFORE, in consideration of the premises and covenants set forth and contained herein, and as set forth and contained in said lease, dated October 6, 1989, Tenant does hereby renew said lease for an additional period of Three (3) years, commencing November 1, 1991, and terminating October 31, 1994, with the rental rates to be adjusted by the Consumer Price Index, on the anniversary date.

This is the 13<sup>th</sup> day of July, 1991.

COURTYARD ASSOCIATES

BY:   
J.R. Koenigshofer

GREAT CUTS

BY:   
Roger Tillison

BY:   
Kathy Tillison

C:REN:LEA

THIS LEASE AGREEMENT (the "Lease") made and entered into as of the 6<sup>th</sup> day of October, 1989, by and between Courtyard Associates/Chapel Hill

hereinafter called "Landlord"; and Roger Tillison and Kathy Tillison hereinafter called "Tenant";

W I T N E S S E T H

For the consideration and mutual covenants set forth herein, Landlord hereby leases to Tenant and Tenant hereby rents from Landlord the Demised Premises (as defined in Section cc of Basic Information), in accordance with the terms and conditions hereinafter set forth:

Basic Information at Commencement of Lease

Basic information is provided for the convenience of the parties; however, the terms of the lease numbered 1 through 26 shall govern the relationship of the parties.

- (aa) Landlord's Address: 431 W. Franklin St., The Courtyard Chapel Hill, NC 27514
- (bb) Tenant's Trade Name and Address: Great Cuts #18 - The Courtyard, Chapel Hill, NC 27514
- (cc) Demised Premises: approximately 332 square feet in Space Number 18 of The Courtyard as set forth in Exhibit A, including any alterations, additions, or repairs made thereto.
- (dd) Commencement Date: November 1, 1989 (see 5).
- (ee) Expiration Date: October 31, 1991 (see 5).
- (ff) Minimum Rent: \$415.00 per month, payable in advance (see 1.a).
- (gg) Percentage Rent: 6% of gross sales (see 1.b).
- (hh) Initial Common Area Maintenance Charge Per Month: \$23.52 based upon \$.85 per square foot annually (see 9).
- (ii) Security Deposit: \$415.00 (see 4).
- (jj) Permitted Uses: Tenant will use the Demised Premises solely for the purpose of conducting the business of: Beauty Salon

Tenant will occupy the leased premises for no other purpose and such use and occupancy will be in compliance with all applicable laws, ordinances, and governmental regulations. The Tenant agrees to conduct continuously in the leased premises the business above stated.

- (kk) Marketing Fund: \$75.00 (see 10).
- (ll) Renewal options (see 5):
- (mm) Parking: \$20.00

This lease is made and accepted by Tenant upon the following express conditions, all and every one of which Tenant covenants and agrees faithfully to observe, keep, and perform:

1. RENT AND ADJUSTMENTS

a. Minimum Rent will be paid in advance on the first day of every month until the expiration of the said term, the first installment being due and payable on the execution of this agreement and the remaining installments of said payments to

be made by Tenant at the office of Landlord, or at such other place as Landlord may designate in writing, without deduction or demand.

b. Percentage Rent will be paid monthly on all gross receipts for the preceeding month, as described below. Such payments to be made concurrently with the submission by Tenant to Landlord of the written statement of the monthly gross receipts for each and every month on or before the fifteenth day of the month following.

From November 1, 1989 through October 31, 1991 tenant shall pay as rent 6% of gross monthly sales, calculated and payable monthly, less the minimum of \$15.00 /sq ft per year (\$4,980.00 annually), due and payable on the first of every month.

From N/A through N/A tenant shall pay as rent 6% of gross monthly sales, calculated and payable monthly, less the minimum of the previous year's annual rent as adjusted by the Consumer Price Index, due and payable on the first of every month.

From N/A through N/A tenant shall pay as rent each lease year, 6% of gross monthly sales, calculated and payable monthly, less the minimum of the previous year's annual rent as adjusted by the Consumer Price Index, due and payable on the first of every month.

c. Cost of Living Adjustment. Landlord and Tenant agree that the Minimum Annual Rent will be adjusted as soon as practicable after January 1 and July 1 of each year during the lease term (each hereinafter referred to as an "Adjustment Date") to reflect any increase in the Consumer Price Index for Urban Consumers, U.S. City Average, All Items (1967=100) published by the Bureau of Labor Statistics of the United States Department of Labor ("CPI-U"). Each such adjustment shall thereafter be applicable to such payment of Monthly Minimum Rent due hereunder. On each Adjustment Date the adjusted Monthly Minimum Rent shall be determined by dividing the original Monthly Minimum Rent by the index number published in the issue of "Monthly Labor Review" for the month preceding the date of execution of this lease, and subsequently multiplying that amount by the index number published in the "Monthly Labor Review" for the month immediately preceding each Adjustment Date. If the "Consumer Price Index" published by the Bureau of Labor Statistics is discontinued then the parties shall in good faith, agree on a suitable substitute. In no event shall the rental payable hereunder be reduced by any such adjustment.

d. Late Charges. Any rental due Landlord under this lease shall be considered past due for purposes hereof on the fifth day of any month, and shall incur, for failure to make timely payment of rent, a late payment penalty of \$50.00. In addition, there will be a monthly interest charge of 1 1/2% per month for that and each subsequent month past due. Any other amounts payable to Landlord under this lease with the exception of rent, shall be considered past due thirty (30) days from Landlord's billing date and shall incur a monthly interest charge of 1 1/2% for that and each subsequent month past due. (A monthly rate of 1 1/2% is equivalent to an annual percentage rate of 18%).

e. Tax Adjustment. Landlord and Tenant agree that the Minimum Annual Rent shall be further adjusted as of January of each year in accordance with the following provisions:

"Base Year" shall mean the calendar year of the date of this lease.

"Comparison Year" shall mean each relevant successive calendar year commencing with the January next following the date of this lease.

"Taxes" shall mean any and all real estate taxes and installments of any federal, state or local governmental agency upon the Shopping Center and its appurtenant land.

If the Taxes payable for the relevant Comparison Year shall exceed the Taxes paid in the Base Year, the Tenant shall pay, as additional rent, the increase as follows:

The net increase in Taxes between the Base Year and the Comparison Year shall be multiplied by a fraction, the numerator of which is the number of square feet in the Demised Premises and the denominator of which is the number of net leasable square feet in the Shopping Center (exclusive of parking and common areas which are not the subject of rental charges).

Notwithstanding anything contained in this paragraph, the monthly installment of rent payable by Tenant shall in no event be reduced.

f. Additional Rent. Wherever it is provided in this lease that Tenant is required to make any payment to Landlord, including penalties and interest on late payments, such payment will be deemed to be Additional Rent and all remedies applicable to the nonpayment of rent will be applicable thereto. Notwithstanding the foregoing, such Additional Rent will not be deemed to be Minimum Rent and will not be deducted from Percentage Rent or be considered in connection with the computation of Percentage Rent.

Minimum Rent, Percentage Rent, and Additional Rent will be paid without counterclaim, setoff, deduction, or defense.

## 2. DEFINITION OF GROSS RECEIPTS.

As used in this lease, the term "Gross Receipts" means the aggregate selling price of all merchandise sold or delivered at or from any part of the Demised Premises by Tenant or Tenant's agents, and the charges for all services sold or performed at or from any part of the Demised Premises by Tenant or Tenant's agents. Gross Receipts include all sales and charges for cash or credit as reported as sales for any and all tax purposes. Credit sales will be included in Gross Receipts regardless of collections.

Gross Receipts excludes refunds made by Tenant to its customers for merchandise returned to Tenant, exchanges of merchandise between stores of Tenant where such exchanges are made solely for the convenient operation of Tenant's business, and the amount of any city, county, or state sales tax on sales paid to a taxing authority by Tenant (but not by any vendor of Tenant).

A sale will be deemed to be made in the Demised Premises if the merchandise or services are ordered at the Demised Premises and is filled at the Demised Premises or elsewhere; or, if the merchandise or services are ordered elsewhere, but the order is filled at or from the Demised Premises or the merchandise is delivered from the Demised Premises; or, if the sale is made at a temporary store; or, if the sale is made from any non-retail establishment.

### 3. RECORD KEEPING.

a. Statements of Gross Receipts. Within fifteen (15) days after the end of each calendar month of the term of this lease, Tenant shall deliver to Landlord an accurate statement signed and certified as correct by the Tenant, or by a principal executive of Tenant, if Tenant be a corporation, showing the gross receipts for the preceding calendar month or fraction of a calendar month, as the case may be. Gross Sales Reports must be submitted as a copy of the North Carolina gross sales reporting form. Tenant shall pay a penalty of \$50 for late submittal of this statement. Within thirty (30) days after the end of each lease year or termination or expiration of this lease, Tenant shall deliver to Landlord a cumulative statement showing the gross receipts made in, at or from the Demised Premises for the preceding lease year. Such statement shall be certified by a certified public accountant and if the Tenant shall not theretofore have paid to the Landlord the full amount of percentage rent payable for the period of such cumulative statement make payment of any balance due for the period of the cumulative statement.

b. Books. Tenant will maintain (and cause any licensee and subtenant to maintain) full and accurate books of account and records from which Gross Receipts can be determined and which will be conveniently segregated from other business matters. These books of account and records will be kept in the Demised Premises or in the city where Tenant's main office is located. The records will be so kept and maintained (properly totaled and added) for at least thirty-six (36) months after the end of the period in question. The foregoing books and records so required to be kept and maintained will include all federal, state, and local tax returns; records of daily bank deposits of the entire receipts from transactions at or from the Demised Premises; sales slips; daily dated cash register tapes; sales books; duplicate bank deposit slips; and bank statements.

c. Inspection and Audit. Landlord or its duly authorized representatives may at any reasonable time or from time to time inspect or audit any or all of Tenant's books, documents, records and sales tax returns, which will in any manner be related to gross receipts. Tenant, upon written request by Landlord, will make all such data available for such examination at the Demised Premises, at such reasonable times as Landlord will specify in such written request. If Landlord makes an audit for any lease year, and if the gross receipts shown by Tenant's statement for such lease year are found to be understated by two percent (2%) or more, then Tenant will pay to Landlord the cost of such audit in addition to any deficiency payment required. A report of the findings will be binding and conclusive upon Landlord and Tenant. Landlord's right to commence such an audit with respect to any lease year will expire twelve (12) months after receipt by Landlord of Tenant's statement for such lease year; provided, however, that if such an audit reveals an understatement by Tenant of two percent (2%) or more, Landlord may audit all previous years within the following twelve (12) months. The furnishing by Tenant of any grossly inaccurate statement will constitute a breach of this lease. Any information obtained by Landlord as a result of such an audit will be held in strict confidence by Landlord except in any proceeding or action to collect the cost of such audit or deficiency or with respect to a prospective sale, mortgage or lease of The Courtyard.

### 4. SECURITY DEPOSIT.

Landlord acknowledges receipt upon execution hereof from Tenant of the sum of four hundred fifteen & 40/100 Dollars (\$415.<sup>00</sup>) to be held as collateral security for the payment of any rentals and other sums of money payable to Landlord under this Lease Agreement and for the faithful performance by Tenant of all other covenants, conditions and agreements of this Lease

Agreement; the amount of said deposit, without interest, to be repaid to Tenant after the termination of this Lease Agreement and any renewal thereof, provided Tenant shall have made all such payments and performed all such covenants, conditions and agreements.

In the absence of evidence satisfactory to Landlord of any assignment of the right to receive the Security or the remaining balance thereof, Landlord may return the Security to the original Tenant, regardless of one or more assignments of Tenant's interest in the Security. In such event, upon the return of the Security (or balance thereof) to the original Tenant, Landlord will be completely relieved of liability with respect to the Security.

In the event of a transfer of Landlord's interest in the Demised Premises, Landlord will have the right to transfer the Security to the transferee of Landlord's interest. In such event, Landlord will be deemed released by Tenant from all liability for the return of the Security and Tenant agrees to look solely to the transferee for the return of the Security.

The Security will not be mortgaged, assigned, or encumbered by Tenant. No action by Landlord in enforcing its rights with respect to a Default will be deemed to be a termination of this lease so that Tenant will be entitled to the return of the Security. No Mortgagee will be liable for the return of the Security.

5. TERM OF LEASE.

The term of this lease and Tenant's obligation to pay rent, shall commence on November 1, 1989. The term of this lease shall be for Two (2) years and Zero (0) months following the commencement.

Renewal options are:

6. IMPROVEMENTS.

a. Quality of Work and Approval of Landlord. Tenant will not make any alterations, additions, or improvements to the Demised Premises without the prior written consent of Landlord, excepting the installation of unattached movable trade fixtures which may be installed without drilling, cutting, or otherwise defacing the Demised Premises.

All construction work done by Tenant within the Demised Premises shall be performed in a good workmanlike manner, in compliance with all governmental requirements and with all the terms of this lease and at such times and in such manner as to cause a minimum of interference with other construction in progress and with the transaction of business in The Courtyard. If required by Landlord, Tenant shall, at Tenant's sole cost and expense, erect and install a temporary enclosure approved by Landlord to enclose the Tenant's space during construction therein. All costs of such work shall be paid promptly so as to prevent the assertion of any liens for labor or materials. Tenant agrees to indemnify and hold Landlord harmless against any loss, liability or damage resulting from such work or liens filed.

Whenever Tenant proposes to do any construction work within the Demised Premises it shall first furnish to Landlord plans and specifications in such detail as Landlord may request covering all such work. Such plans and specifications shall comply with such requirements as Landlord may from time to time prescribe for construction within The Courtyard. In no event shall any construction work commence within the Demised Premises without Landlord's written approval of such plans and specifications.

Plans and specifications of Tenant's work shall include by way of illustration and not by way of limitation a detailed rendering of the lay-out, design, location and type of electrical fixtures and equipment, materials to be used, colors, and any other relevant data requested by Landlord.

All additions, alterations, and improvements (including but not limited to awnings, stained glass windows, additional heating and air conditioning units installed by Tenant) shall become the property of Landlord and be surrendered with the premises at the termination of this lease. Tenant shall have the right to remove or replace its movable trade fixtures, provided Tenant repairs any damage caused by such removal.

All fixtures installed by Tenant shall be new or high quality antiques. Tenant shall not decorate, paint, or alter the Demised Premises, or any part thereof, and shall not install or fix any sign, fixture or attachment on or to the exterior or interior of the Demised Premises, or any building located in The Courtyard, including the roof or the canopy thereof, not place any vents, structure, building, improvement, sign or advertising device, or obstruction of any type or kind upon the community area or upon the Demised Premises without first obtaining Landlord's written consent. If Tenant shall do any of such acts without consent, Landlord may remove any such decoration, paint, alteration, sign or attachment and restore the Demised Premises or community area to the condition thereof prior to such act. The cost of such removal and restoration shall be paid by Tenant as additional rental.

Replacement or repair of exterior door lock(s) initiated by Tenant for security or any other reason shall be done at Tenant's expense. All locks must remain keyed to the Master Key for The Courtyard. A copy of any new keys made for new lock(s) will be given to the Landlord within two (2) days of completion of work.

b. Liens and Claims. Tenant agrees that any alteration or improvement, whether major or minor, shall be made at Tenant's sole risk. Tenant covenants not to permit any contractor's or materialman's lien to attach to the Demised Premises, and agrees to indemnify and hold Landlord harmless from any damages incurred by reason of any claim or lien by an unpaid contractor or materialman, and further agrees to reimburse Landlord for any amounts paid by Landlord to discharge any such contractor's or materialman's lien; provided, however, Tenant shall have the right to contest in good faith by legal proceedings or otherwise any lien asserted against the Demised Premises by any contractor or materialman, and Landlord shall not interfere with and shall assist where reasonably necessary but at no expense to Landlord, in such protest. In the event Tenant shall determine to contest such lien, and in the absence of Tenant's having bonded off the lien as provided by law, Tenant shall post with Landlord a good and sufficient surety bond in an amount not less than one hundred twenty-five percent (125%) of the lien so contested conditioned upon the Tenant paying all the cost of satisfying the lien plus interest and costs which may be determined to be due upon the claim.

#### 7. TENANT'S TAXES.

Tenant shall pay all personal property taxes levied or assessed against the Demised Premises and its contents. Tenant shall also pay all personal property taxes levied or assessed against any personal property now or hereafter owned by Tenant and brought into Orange County; Tenant shall also pay all license fees, occupation fees, privilege taxes and permit fees incidental to the use of the Demised Premises during the term of this Lease. Tenant shall indemnify and hold harmless Landlord against any damage caused by Tenant's failure to pay the taxes. Should Landlord pay any of these taxes on Tenant's behalf, Tenant shall

reimburse Landlord for the expense thereof on or before the due date of the next following rental installment and billed as additional rent.

8. COMMON AREAS.

The common areas are exclusively controlled by the Landlord. The right of customers to use the parking facilities shall apply only while they are shopping or on business in The Courtyard. Tenant agrees that it and its officers and employees will not park their vehicles in any of the paved, contiguous parking lots at any time between 8:00 a.m. and 5:00 p.m., Monday through Friday. Tenant acknowledges that by violating the previous sentence the vehicles will be subject to towing at the owner's expense; and, further, if a tow truck is called and the owner appears before his/her car has been towed, that the owner will still be subject to a charge from the towing company. Tenant acknowledges that The Courtyard parking lot is reserved for customers while doing business at The Courtyard.

Tenant shall not park any trucks or delivery vehicles in the parking areas, nor permit delivery of merchandise at any place other than that designated by Landlord. Landlord shall have the right to enforce parking charges, by meter or otherwise, and to close any part of the common areas for such time as may, in the opinion of Landlord's counsel, be necessary to prevent a dedication thereof, or the accrual of any rights in any person, and to close any part of the parking area for such time as Landlord deems necessary in order to discourage non-customer parking and to do other things in the parking areas as Landlord in its discretion deems necessary for the benefit of The Courtyard.

9. COMMON AREA MAINTENANCE.

For each lease year during the term hereof, Tenant will pay to the Landlord as additional rent hereunder, without deduction or setoff, its proportionate share of all common area maintenance charges and expenses. Tenant's share shall be the total amount of such charges multiplied by the ratio that Tenant's rented floor area bears to the total retail floor space in The Courtyard. Such annual charge shall be paid by Tenant to Landlord in advance in estimated equal monthly installments on the first day of each month when the rent is paid beginning with the Rental Commencement Date.

For each lease year the Landlord shall furnish upon request a certificate of the actual charges for the previous period. The Tenant shall promptly pay any deficiency in its share or deduct any over-payment from the next due month charge. Landlord may adjust the monthly charge every six months to reflect its estimate of the total annual charges; and the first and final months of this lease may be adjusted on a daily basis.

Common area maintenance charges and expenses include the following:

- a. General maintenance of shrubbery and landscaping in The Courtyard, parking areas, and areas of the project facing Franklin Street or Roberson Street.
- b. Maintenance of private well and other watering charges, (allocated to common area use if also applied to other uses).
- c. Replacement of dead plants and landscaping; weeding; mulching.
- d. Planting of annuals in summer; dividing flowering perennials.

- e. Mowing, trimming, re-seeding and fertilizing grass areas.
- f. Cost of electricity, bulbs and maintenance for outdoor lighting in The Courtyard, parking area, and exterior signs.
- g. Maintenance of two public bathrooms (janitorial, repairs, supplies, heating and cooling, general maintenance).
- h. Removal of trash or litter from common areas, including dumpster rental, regular trash pickup and snow removal.
- i. General maintenance of lampposts, fountain, reflecting pool, benches, brick walkways, railings, and planting containers.
- j. Sprinkler monitor hookup system.

The Demised Premises are shown and outlined on Exhibit A attached hereto and are part of the entire Courtyard as described on Exhibit B attached hereto. Said Exhibits set forth a general layout of The Courtyard and shall not be deemed to be a warranty or agreement on the part of Landlord that said Courtyard will remain exactly as indicated on said diagram. Landlord may change dimensions or locations of the walks, building, and parking areas in any manner as Landlord shall deem proper, and reserves the right to make alterations or additions to any building in The Courtyard. Use and occupancy by Tenant of the Leased Premises shall include the use in common with others of the common areas such as facilities. Nothing herein contained shall be construed as a grant or rental by Lessor to Tenant of the roof and exterior of the building or buildings of which the Leased Premises form a part, or of the walks and other common areas beyond the Leased Premises, or of the land upon which the Leased Premises are located.

#### 10. MARKETING FUND.

To promote patron traffic, the image of the Shopping Center and increase patronage, Landlord and Tenant agree to a minimum assessment for advertising, promotion and graphics. This minimum assessment shall be \$75.00 per month, to which the Landlord shall contribute an additional \$25.00 per month. This \$75.00 monthly figure may be adjusted by Landlord upward by a maximum of ten percent (10%) per year each January 1st. The Landlord's contribution will also increase by the same percentage. The funds collected under this minimum assessment shall be used to promote and advertise the Shopping Center and to produce graphic materials to be used in the promotion of the Shopping Center. It shall be Landlord's responsibility to direct the advertising and promotion.

#### 11. UTILITIES.

Tenant shall be solely responsible for and promptly pay all charges for heat, water, sewer, gas, electricity or any other utility used or consumed in the leased premises. In no event shall Owner be liable for an interruption or failure in the supply of such utilities to the leased premises.

Tenant agrees that it may be held responsible for all water consumed or used by Tenant on the Demised Premises. Water use may be separately metered, and Landlord will furnish Tenant with a monthly statement of water use and cost. Tenant agrees to promptly reimburse Landlord for the cost of water upon receipt of such statement, same to be considered as additional rental.

Landlord has provided and installed a sprinkler system from city water line to each tenant's Demised Premises. Tenant agrees to maintain this system within the premises. Cost of periodic testing and maintenance of the system required by local authorities will be paid by the Tenant based on the ratio of the Demised Premises to the total square feet of The Courtyard's leasable space.

The heating and air conditioning shall be thermostatically controlled so that the temperature within the Demised Premises will not be less than 55 F nor greater than 85 F at any time.

#### 12. PROTECTION OF LANDLORD.

Tenant will hold Landlord, it's agents, servants, and representatives harmless from any damages, loss, or expense resulting from the negligent, unlawful or willful acts or omission of Tenant, Tenant's employees, representatives, patrons, or visitors or from the Tenant's failure to perform any obligation imposed upon it by law or the provision of this lease. Tenant agrees to pay for all damage to the building, as well as all damage to tenants or occupants thereof, caused by Tenant's misuse or neglect of said premises, it apparatus, or appurtenances.

Tenant shall store its property in and shall occupy the Demised Premises and all other portions of The Courtyard at its own risk, and releases Landlord to the full extent permitted by law from all claims resulting in loss of life, personal or bodily injury or property damage. Landlord shall not be responsible or liable for any loss or damage to Tenant's business; and Landlord shall not be responsible or liable to Tenant or to those claiming by, through or under Tenant, for any loss or damage to either the person or property of Tenant that may be occasioned by or through the acts or omissions of other Courtyard Tenants.

Landlord shall not be responsible or liable for any defect, latent or otherwise, in any building in The Courtyard or any of the equipment, machinery, utilities, appliances or apparatus therein, nor shall it be responsible or liable for any injury, loss or damage to any person or to any property of Tenant or other person caused by or resulting from bursting, breakage or from leakage, steam, snow, or ice, running, backing up, seepage, or the overflow of water or sewage in any part of said premises or for any injury or damage caused by or resulting from acts of God or the elements, or from the acts of any other occupant of the premises.

Tenant shall give prompt notice to Landlord in case of fire or accidents in the Demised Premises or in the building of which the Demised Premises are a part. In case Landlord shall, without fault on its part, be made a party to any litigation commenced by or against Tenant, then Tenant shall protect and hold Landlord harmless and shall pay all costs, expenses and reasonable attorney's fees. Tenant shall also pay all costs, including expenses and reasonable attorney's fees, that may be incurred or paid by Landlord in enforcing the terms of this lease.

#### 13. INSURANCE.

Tenant will provide and keep in force, for the protection of the general public and Landlord, liability insurance against claims for bodily injuries or death upon or near the leased premises and the service and parking areas adjacent thereto to the extent of not less than One Million Dollars (\$1,000,000.00) in respect to bodily injuries or death, and property damage with limits of not less than Fifty Thousand Dollars (\$50,000.00), and said policy will contain a waiver of subrogation as to Landlord. Such insurance and certificates will name Landlord as an

additional insured for the full amount of the insurance herein required. Tenant will furnish Landlord with satisfactory evidence of such coverage upon commencement of this lease and at every anniversary of this lease.

Landlord shall maintain in effect policies of insurance covering the building and improvements of which the Demised Premises constitute a part, providing protection to the extent of not less than eighty percent (80%) of the insurable value of said building against all casualties included under standard insurance industry practices within the classification "Fire and Extended Coverage, Vandalism and Malicious Mischief." Nothing in this Section shall prevent the taking out of policies of blanket insurance which may cover real and personal property and improvements in addition to the building of which the Demised Premises constitute a part.

At all times during the term of this lease, Tenant shall pay all premiums for and maintain in effect, with a responsible insurance company or companies authorized to do business in North Carolina, policies of insurance for the benefit of Landlord and Tenant, as their interests may appear as follows:

a. Insurance covering Tenant's trade fixtures, furniture, furnishings, equipment, and improvements, providing protection to the extent of not less than eighty percent (80%) of the insurable value of the same against all casualties included under standard insurance industry practices within the classification "Fire and Extended Coverage, Vandalism and Malicious Mischief" and covering sprinkler leakage;

b. Plate glass insurance covering the plate glass in the Demised Premises; and

c. Insurance covering one hundred percent (100%) of Tenant's work as described in Exhibit C against all casualties included under standard insurance industry practices within the classification "Fire and Extended Coverage," and "Builders Risk Coverage," which insurance shall be maintained until Tenant has opened for business. In no event shall Tenant cancel the insurance provided for herein until notice to Landlord and Landlord has included such Tenant's work under Landlord's insurance.

Tenant further agrees that any contractor performing work for Tenant will furnish Tenant with certificates showing evidence of comprehensive public liability insurance. If the Tenant uses a general contractor for improvements, Tenant shall require that the general contractor deliver to Tenant evidence of worker's compensation insurance coverage. If the Tenant is performing his own general contracting work, the Tenant shall deliver to the Landlord evidence of worker's compensation coverage or evidence that, under the Tenant's liability insurance coverage, unpaid worker's compensation claims of any subcontractor are covered.

All policies furnished by Tenant will contain an endorsement providing that the insurer will not cancel, non-renew, or materially change the coverage of said policy or policies without first giving ten (10) days written notice thereof to the Landlord.

At Landlord's option, Landlord may arrange blanket coverage for the comprehensive public liability and comprehensive property damage insurance requirement. In the event Landlord procures such coverage, it shall furnish Tenant with evidence of comprehensive public liability and comprehensive property damage insurance in adequate amounts which show Tenant as a co-insured. Landlord shall prorate the cost of such insurance among all Tenants. Landlord may notify Tenant of the premium amount of such policy in advance and may collect it prior to the effective

date of insurance under such policy.

14. MAINTENANCE.

Landlord will keep the roof and exterior walls of the Demised Premises (but excepting any work done by Tenant and any glass or doors) in proper repair, provided that in each case, when known, Tenant shall give Landlord prior written notice of the necessity of such repairs; and provided further, that if any such repair is required by reason of the negligence of Tenant or any of its agents, employees or customers, or other person using the Demised Premises with Tenant's consent, express or implied, or Tenant's failure to perform any of its obligations under this Section, Landlord may at his option make such repair and add the cost to the next installment of Minimum Rent.

Tenant agrees to maintain in good order and repair the Demised Premises, including fixtures and equipment therein, including but without limitation, the exterior and interior portions of all doors, windows, glass, plumbing and sewage facilities within the Demised Premises, and including free flow up to the main sewer line, heating, air conditioning, and electrical equipment, interior walls, floors and ceilings, including compliance with applicable building codes relative to fire extinguishers, accomplishing any and all repairs, alterations, replacements and modifications at its own expense and using materials and labor of kind and quality equal to the original work. All parts of the interior of the Demised Premises shall be painted or otherwise decorated by the Tenant periodically as determined by the Landlord. Tenant will surrender the Demised Premises at the expiration or earlier termination of this lease in as good condition as when received, excepting only deterioration caused by ordinary wear and tear, and damage by fire or other casualty or act of God.

If any repairs required to be made by Tenant hereunder are not made or commenced or Tenant is not proceeding with due diligence to commence and complete such repairs within ten (10) days after written notice delivered to Tenant by Landlord, Landlord may at its option make such repairs without liability to Tenant for any loss or damage which may result to its stock or business by reason of such repairs, and Tenant shall pay to Landlord upon demand as additional rental hereunder the cost of such repairs plus interest from the date of payment by Landlord until repaid by Tenant.

15. RIGHT TO ENTER.

Landlord, or any of its agents, will have the right to enter the leased premises during all reasonable hours to examine the same or to make such repairs, additions, or alterations as may be deemed necessary for the safety and comfort of the occupants of the building or the preservation of said building, or to exhibit said premises. The right of entry will also exist for the purpose of removing placards, signs, fixtures, alterations or additions, which are not permitted by this agreement or by the rules and regulations of the building, and to abate at Tenant's expense, any condition which constitutes a violation of any of the covenants or conditions of this lease or any of the rules and regulations herein referred to.

16. DAMAGES OR DESTRUCTION OF BUILDING.

If the premises are damaged by fire or other casualty during the term of this lease to the extent the same become untenable, then Landlord will have the right, but will not be obligated, to begin to effect the repairs necessary to make said premises tenantable within one hundred eighty (180) days, then Tenant may (1) at its option remain bound by this lease with rent abated till premises are restored, but the term of this lease will not be extended by any period of rental abatement; or (2)

Landlord or Tenant may elect to cancel this lease. In the event of the cancellation of this lease by Landlord or Tenant, the rent will be paid only to the date of such fire or casualty; provided, however, there will be no cessation of rent if the damage results from negligence, default, or willful act of Tenant, its agents, or employees. Notice of election to cancel under the provisions of this paragraph will be in writing. Tenant will, in the event of fire or other casualty to said Demised Premises, give immediate notice thereof to Landlord.

Landlord shall not be responsible for the repair or replacement of any improvements, fixtures, equipment or contents added or owned by Tenant. The responsibility for the repair or replacement of these items shall be Tenant's, and unless and until Tenant shall give to Landlord written adequate assurances that Tenant will make such repair or replacements, Landlord shall not be obligated to repair and restore the Demised Premises as set forth above.

17. EMINENT DOMAIN.

In the event any or all of the exterior common areas is taken under power or authority of eminent domain, Landlord will have the sole claim to any proceeds or awards for or from said taking and the terms, provisions, and covenants of this lease and the rents reserved hereunder will be unaffected.

In the event any or all of the Demised Premises are taken under such power so as to prohibit use of same and make them untenable, in the sole judgment of the Landlord, then Tenant and Landlord will each have the option to terminate this lease as of the date possession thereof will be required to be delivered to the condemning authority. Landlord will have sole claim to any proceeds or awards for or from said taking, but Tenant will have the right to claim separate claim for any personal property or loss of business it may suffer.

18. ASSIGNMENT AND SUBLETTING.

Tenant shall not assign or sublet any part of the Demised Premises without the prior written consent of the Landlord, which may be withheld. The consent of Landlord to any assignment or subletting or other act of Landlord, however, shall not constitute a waiver of the necessity for such consent to any subsequent assignment or subletting; in all events, the Tenant shall remain fully liable and shall not be released from performing any of the terms of this lease.

If Landlord consents to any transfer, assignment, or subletting, such transferee, assignee, or sublessee assumes all of the obligations and liabilities of Tenant under this lease. No assignment or subletting shall apply or be permitted other than during the initial term of this lease. Options or extensions, if any, are available exclusively to Tenant.

19. OPERATION AND CONDUCT OF BUSINESS.

At all times during the term of this lease the Tenant shall keep the entire Demised Premises open for business during regular business hours, and conduct its business in a high class and reputable manner with an adequate staff, and full stock of merchandise, subject to strikes and other causes beyond the Tenant's control.

During the term of this lease Tenant shall not directly or indirectly engage in any similar or competing business within a radius of three miles from the outside boundary of The Courtyard. Tenant shall not perform any acts or carry on any practices which may injure the building, or be a nuisance or menace to other tenants in The Courtyard.

20. HOLDING OVER.

If the Tenant remains in possession after the expiration of the term or any extensions hereof (without the execution of a new lease) the Tenant shall not thereby acquire any right, title or interest in or to the leased premises, and shall be a tenant by sufferance during such holding over on a month-to-month basis. But in such event, the Tenant shall be subject to all the conditions, provisions and obligations of this lease insofar as the same shall then be applicable.

21. SUBORDINATION.

This lease and all leasehold rights hereunder shall be, become and remain subordinate to the lien of any bona fide mortgage or deed of trust now or hereafter imposed upon all or any part of the Demised Premises; and the Tenant shall execute and deliver to Landlord or lender upon request any instruments reasonably requested by the Landlord consenting to the full subordination of this lease to any such mortgage or deed of trust upon the condition that Tenant's rights hereunder shall not be disturbed by a foreclosure or otherwise so long as Tenant is not in default hereunder. Moreover, Tenant shall furnish, upon Landlord's request, estoppel letters to the Landlord pursuant to any request by any mortgage lender, refinancer or other creditor of Landlord. Tenant will furnish such information such as mortgage lender, refinancer or creditor shall require in the estoppel letter and it shall be an event of default under this agreement for the Tenant not to provide the appropriate information.

22. DEFAULT.

If Tenant (a) fails to pay any rental or other payment hereunder as it comes due; or (b) it fails to perform any other of the terms of this lease to be observed or performed by Tenant; or (c) if Tenant shall become bankrupt or insolvent or there is an appointment of a receiver or trustee of all or a portion of Tenant's property, or if Tenant makes an assignment for the benefit of creditors, or petitions for or enters into an agreement; or (d) if this lease shall pass to or devolve upon (by law or otherwise) one other than Tenant except as herein provided then, in any one or more of such events, upon Landlord serving a written Notice of cancellation upon Tenant specifying the nature of such default and the period allowed to cure the default, if Tenant shall have failed to comply with or remedy such default within such period, then this lease and the term thereunder shall (at the option of Landlord) terminate on the date specified in such Notice. Tenant shall thereupon surrender the Demised Premises to the Landlord as if the term hereunder ended by expiration, but Tenant shall remain liable as hereinafter provided.

The Written Notice required of Landlord under the preceding section shall provide for five (5) days of grace to cure a monetary default, or thirty (3) days to cure a non-monetary default which can be reasonably be cured in thirty (30) days; and for any non-monetary default not curable in thirty (30) days, that Tenant shall commence to cure within thirty (30) days and thereafter proceed diligently and in good faith in complete the curing of said default as soon as possible.

If the Notice provided shall have been given and the term shall expire as aforesaid, or should Landlord elect not to terminate this lease, Landlord shall have the immediate right to re-enter and may remove all persons and property from the Demised Premises and such property may be removed and stored in a public warehouse or elsewhere at the cost of, and for the account of Tenant, all without service of Notice or resort to legal process (all of which Tenant expressly waives) and without being deemed

being guilty of trespass, or becoming liable for any loss or damage which may be occasioned thereby. Landlord shall have a lien for the payment of all sums agreed to be paid by Tenant herein upon all Tenant's property, which is to be in addition to Landlord's lien now or that may thereafter be provided by law.

In the event the landlord incurs any expenses or fees included but not limited to legal and accounting fees, in the enforcement of landlord's rights under the term of this lease, tenant agrees to reimburse for such reasonable expenses as additional rent.

### 23. REMEDIES.

Should Landlord elect to re-enter or should it take possession pursuant to legal proceedings or pursuant to any Notice provided for by law, it may make such alterations and repairs as may be necessary in order to relet the premises, and relet said premises or any part thereof for such terms and at such rentals and conditions as Landlord in its sole discretion may deem advisable. Upon each such reletting, all rentals received by Landlord from such reletting shall be applied, first, to the payment of any indebtedness other than rent due hereunder from Tenant to Landlord; second, to the payment of any cost and expenses of such reletting, including brokerage fees and attorney's fees, and the cost of such alterations and repairs; third, to the payment of rent, due and unpaid hereunder, and the residue, if any, shall be held by Landlord and applied in payment of future rent. If rentals received from reletting during any month are less than that to be paid during that month by Tenant hereunder, Tenant shall pay any such deficiency to Landlord. Such deficiency shall be calculated and paid monthly. Landlord may recover from Tenant all damages it may incur by reason of Tenant's default, including the cost of recovering the leased premises, reasonable attorney's fees, and including the worth at the time of such termination of the excess, if any, of the amount of rent and charges equivalent to rent reserved in this lease for the remainder of the stated term over the then reasonable rental value of the Demised Premises for the remainder of the stated term, all of which amount shall be immediately due and payable from Tenant to Landlord. For the purposes of this Article, percentage rent for any period after default shall be the same amount as paid during the previous number of months; where the number is equal to the number in default; or, the average of the previous months if fewer than the default. In the event Tenant fails to pay the rents when due, or fails to pay any other sums that are due and Landlord shall advance same, in collection proceedings or instituted by Landlord, Tenant shall become obligated for, and shall pay, all costs of collection, including an attorney's fee of fifteen percent (15%) of the past due rents and/or monies advanced if such collection is effectuated by an attorney. The parties agree that the rental covenants set forth herein as well as all other financial obligations of Tenant are evidence of indebtedness for the purposes of this paragraph.

a. In the event of a breach or threatened breach by Tenant of any provision of this lease, Landlord will have the right of injunction as if other remedies were not provided for herein.

b. The rights and remedies given to Landlord in this lease are distinct, separate, and cumulative remedies, and the exercise of any of them will not be deemed to exclude Landlord's right to exercise any or all of the others or those which may be permitted by law.

c. Landlord will in no event be in default in the performance of any of its obligations in this lease contained unless and until Landlord will have failed to perform such obligation within thirty (30) days, or such additional time

as is reasonably required to correct any such default, after written notice by Tenant to Landlord properly specifying wherein Landlord has failed to perform any such obligation.

24. QUIET ENJOYMENT.

Landlord covenants that if Tenant pays the rent and all other charges provided for in this lease, performs all of its obligations provided for under this lease, and observes all of the other provisions of this lease, Tenant will peaceably and quietly enjoy the Demised Premises in accordance with the terms of this lease without any interruption or disturbance from Landlord.

25. RELOCATION.

a. Substitute Premises. If the Premises comprise 2,000 square feet or less, Landlord, at its option, may substitute for the Leased Premises other space (hereafter called "Substitute Premises") within a building at the site before the Commencement Date or at any time during the term or any extension of this Lease. As far as is reasonably possible, the Substitute Premises shall have a comparable foot area and a configuration substantially similar to the Leased Premises. Landlord shall pay Tenant's reasonable cost of moving Tenant's furnishings, trade fixtures, inventory, and existing telephone system to the Substitute Premises. Except as provided in this Section, Landlord shall not be liable or responsible in any way for damages or injuries suffered by Tenant pursuant to the relocation in accordance with this provision including, but not limited to, loss of goodwill, business or profits.

b. Notice. Landlord shall give Tenant at least sixty (60) days notice of its intention to relocate Tenant to the Substitute Premises. This notice will be accompanied by a floor plan of the Substitute Premises. After such notice, Tenant shall have ten (10) days within which to agree with Landlord on the proposed new space and unless such agreement is reached within such period of time, the lease shall terminate at the end of the sixty (60) day period of time following this notice.

c. Alteration of Substitute Premises. Landlord agrees to construct or alter, at its own expense, the Substitute Premises as expeditiously as possible so that it is in substantially the same condition that the Leased Premises was in immediately prior to the relocation. Landlord shall have the right to reuse the fixtures, improvements, and alterations used in the Leased Premises. Tenant agrees to occupy the Substitute Premises as soon as Landlord's work is substantially completed.

d. Rent During and After Relocation. Except as provided above, Tenant agrees that all of the obligations of this Lease including the payment of rent, will continue despite Tenant's relocation to the Substitute Premises. Upon substantial completion of the Substitute Premises, this Lease will apply to the Substitute Premises as if it had been the space originally described in the Lease.

Landlord shall use all reasonable efforts to minimize any period when the Leased Premises shall be closed to the public as a result of relocation. Tenant's rent shall abate from the date the Leased Premises is closed until the date the Substitute Premises is open for business. Tenant agrees to use all reasonable efforts to open for business in the Substitute Premises as quickly as is reasonably possible under the circumstances.

26. MISCELLANEOUS.

Other provisions:

a. Recordation. Upon the request of either party, the other party will in good faith cooperate in the preparation and execution of a recordable short form lease substantially in the form of the Basic Information. Tenant will in no event record this lease, whether in full or in part.

b. Statement of Accounts. Tenant's failure to object to any statement, invoice, or billing rendered by Landlord within a period of sixty (60) days after receipt thereof will constitute Tenant's acquiescence with respect thereto and will render it an account stated between Landlord and Tenant.

c. Brokers. Tenant represents and warrants that there are no claims for brokerage commissions or finder's fees in connection with the execution of this lease and agrees to indemnify Landlord against and hold it harmless from all liabilities arising from any such claim, including cost of counsel.

d. Rules and Regulations. The rules and regulations attached as Exhibit C are hereby made a part of this lease, and Tenant agrees to comply with and observe the same. Tenant's failure to keep and observe said rules and regulations will constitute a breach of the terms of this lease. Landlord reserves the right from time to time to amend or supplement said rules and regulations, and to adopt additional, reasonable rules and regulations uniformly applicable to the Demised Premises and The Courtyard.

e. Successors and Assigns. The covenants and agreements herein contained are binding on the parties hereto, their successors, assigns, and legal representatives. This lease embodies all of the understandings and agreements of the parties, and the terms hereof will not be changed or varied except by written instrument signed by both parties.

f. Civil Strife. Anything in this agreement to the contrary notwithstanding, providing such cause is not due to the willful act or neglect of the Lessor, the Lessor shall not be deemed in default with respect to the performance of any of the terms of this lease if same shall be due to any strike, lockout, civil commotion, war-like operation, invasion, rebellion, hostilities, military, or usurped power, sabotage, governmental regulations or controls, inability to obtain any material service or financing, through Act of God or other cause beyond the control of the Lessor. No excuse of Lessor's performance as provided above shall be grounds for any rent abatement on behalf of Tenant.

IN WITNESS WHEREOF, the parties hereto have set their hands and seals on the day and year first above written.

Courtyard Associates/Chapel Hill  
A Limited Partnership

BY: *[Signature]*  
General Partner

*[Signature]*  
Tenant

BY: \_\_\_\_\_  
President

BY: \_\_\_\_\_  
Secretary

(Corporate Seal)

NORTH CAROLINA

ORANGE COUNTY

I, Lou Ann Craven a Notary Public of the County and State aforesaid, certify that Daniel Kornigshofer, Manager of Courtyard Associates/Chapel Hill, personally appeared before me this day and acknowledged the execution of the foregoing instrument.

Witness my hand and official stamp or seal, this 6<sup>th</sup> day of October, 1989.

My commission expires: 11-13-91

Lou Ann Craven  
Notary Public

NORTH CAROLINA

ORANGE COUNTY

I, Lou Ann Craven a Notary Public of the County and State aforesaid, certify that Roger W. Tillison and Cathy E. Tillison personally came before me this day and, being first duly sworn, acknowledged the due execution of the foregoing instrument.

Witness my hand and official stamp or seal, this 6<sup>th</sup> day of October, 1989.

My commission expires: 11-13-91

Lou Ann Craven  
Notary Public

NORTH CAROLINA

ORANGE COUNTY

I, \_\_\_\_\_, a Notary Public of the County and State aforesaid, certify that \_\_\_\_\_ personally came before me this day and acknowledged that he is Secretary of \_\_\_\_\_, a North Carolina corporation; the foregoing instrument was signed in its name by its President, sealed with its corporate seal and attested by \_\_\_\_\_ as its Secretary.

Witness my hand and official stamp or seal, this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_.

My commission expires: \_\_\_\_\_  
Notary Public

EXHIBIT "C"

RULES AND REGULATIONS

COURTYARD ASSOCIATES/CHAPEL HILL - LANDLORD

LEASE DATED October 6, 1989

1. Subject to the right of Landlord to make changes from time to time, Tenant shall comply with the following rules, unless waived by Landlord in writing:

A. Keep its display windows dressed and illuminated, and its exterior and interior signs and lights suitably lighted from store opening hours to midnight or such other hours as set by Landlord;

B. Keep the Demised Premises, including all entrances, all improvements thereon, and all windows, doors and glass fixtures in a safe, neat and clean condition at all times;

C. Store or stock in the Demised Premises only such goods, merchandise or other property as shall be reasonably required in connection with Tenant's business on the Demised Premises;

D. Use for office, clerical or other non-selling purposes only such space in the Demised Premises as is from time to time reasonably required for Tenant's business therein;

E. Store all trash and garbage in adequate containers within the Demised Premises, maintained in a neat and clean condition and located as Landlord shall from time to time designate, and so as not to be visible to the public in or outside The Courtyard and so as not to create or permit any health or fire hazard, and arrange for the regular removal thereof as directed or provided by Landlord;

F. Not overload any floor in the Demised Premises; or use or operate any machinery that in Landlord's opinion is harmful to the building or disturbs other tenants in The Courtyard;

G. Not use any portion of the Demised Premises as living quarters, sleeping apartments or lodging rooms;

H. Not use the plumbing facilities for any purpose other than that for which they were constructed and not to dispose of any damaging or injurious substance therein;

I. Not conduct any going-out-of-business, fire, bankruptcy, auction or other distress sale on the Demised Premises;

J. Not obstruct any sidewalks, walkways or areas of The Courtyard by the keeping, displaying, advertising or sale of any merchandise or other object such as a sidewalk sale;

K. Not install on or about the Demised Premises any exterior lighting, amplifiers or similar devices and/or not to use in, on or about the Demised Premises any advertising medium which may be heard or experienced outside the Demised Premises, such as flashing lights, searchlights, loudspeakers, phonographs, televisions or radio broadcasts;

L. Not install a television antenna upon or within any building or improvement in The Courtyard and if Tenant connects with any master antenna provided by Landlord, Tenant shall furnish and install any and all wiring and booster systems related to such connection and the operation within the Demised Premises of television receivers, and Tenant shall pay to Landlord such reasonable connection or subscription charges as Landlord may establish;

M. Not operate any coin or token operated vending machine or similar device for the sale of any goods, merchandise, food, beverages, or services including, but not limited to, pay telephones, pay lockers, scales, amusement devices and machines for the sale of beverages, foods, candy, cigarettes or other commodities;

N. Not permit the extermination of vermin to be performed in, on or about the Demised Premises, except by a person or company designated by Landlord and at times designated by Landlord;

O. Comply with any and all requirements of any of the constituted public authorities and within the terms of any State or Federal statute, ordinance or regulation applicable to Tenant or its use of the Demised Premises, and save Landlord harmless from penalties, fines, costs, expenses or damages resulting from failure to do so;

P. Give to Landlord prompt written notice of any accident, fire or damage occurring on or to the Demised Premises and the community areas;

Q. Perform all loading and unloading of goods only at such times, in the areas and through such entrances as may be designated for such purposes by Landlord. Trailers or trucks servicing the Demised Premises shall remain parked in the shopping center only from 12:01 a.m. to 8:00 a.m., unless otherwise expressly consented to by Landlord;

R. Keep the outside area immediately adjoining the premises clean and free from ice and snow, and not place or permit any rubbish obstructions or merchandise in such areas;

S. Keep the Demised Premises clean, orderly, sanitary and free from objectionable odors and from insects, vermin and other pests, and not keep any live animals of any kind in or upon the Demised Premises;

T. Require Tenant and Tenant's employees to not park their cars in any paved, contiguous lots during business hours. Tenant shall from time to time, upon written notice from Landlord, promptly furnish Landlord with the State automobile license numbers assigned to Tenant's cars and the cars of all Tenant's officers, employees, agents, contractors and licensees;

U. Install such fire extinguishers and other safety equipment as Landlord and/or public authorities may reasonably require;

V. Landlord may require Tenant to operate and keep its business open for the general public not less than 48 hours per week, Monday through Saturday of each week during the lease term; and further, Tenant may be required to keep its business open until 9:00pm on Thursday and Friday at such time as Lessor shall so advise Tenant.

W. All signs used by the Tenant at or about the Demised Premises shall be of such size, make and illumination, and installed at such locations as approved by the Landlord in writing in advance, and in compliance with all applicable building and electrical codes.

X. Tenant agrees to use the words "The Courtyard" and as address, either "W. Franklin St.", "431 W. Franklin St.", or "The West End," followed by "Chapel Hill" in all printed promotional material of Tenant.

Y. Landlord may withdraw from Tenant any implied or granted permission to use thereafter its name or the name of The Courtyard.

MEMORANDUM OF LEASE

Courtyard Associates/Chapel Hill, a Limited Partnership, (hereinafter called "Landlord"), hereby leases to Roger Tillison and Kathy Tillison (hereinafter called "Tenant"), and Tenant hereby rents from Landlord for a period of 2 years property situated in Chapel Hill, North Carolina, and more particularly described as follows: Suite #18 The Courtyard, 431 W. Franklin St.

All of the provisions set forth in that certain Lease Agreement dated 10-6-89 by and between Landlord and Tenant are hereby incorporated into and made a part of this Memorandum.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be duly executed this 6th day of October, 1989.

Courtyard Associates/Chapel Hill (Landlord)

Dr. Koenigsheffer  
BY: Dr. Koenigsheffer  
General Partner

Roger W. Tillison - Kathy E. Tillison  
Tenant

BY: \_\_\_\_\_  
President

BY: \_\_\_\_\_  
Secretary