



SCK Design

D E S I G N

January 17, 1998

Dear Lou,

I would like to renew my lease with with following change. I would like to add two more two-year options to the lease with the same provisions of the current options.

Thanks,

Joe Koenigshofer

Acknowledged and approved this 9
day of February, 2000.

Courtyard Associates
by: *Joe Koenigshofer*
General Partner

April 1, 2000 -
Mar 31, 2002

Park City Developments
by: *Lou Lee*

The Courtyard, Suite 21
431 West Franklin Street
Chapel Hill, NC 27516
Tel: 919 942-3203

PARK CITY DEVELOPMENTS

9211 Marneene Road
Durham, North Carolina 27705
919.383.8842

February 4, 1998

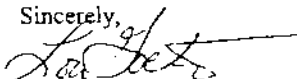
Sue Koenigshofer
SCK Design
Suite 21, The Courtyard
431 W. Franklin St
Chapel Hill NC 27516

Re: Option to Renew Lease

Dear Sue:

I wanted to remind you that you have an option to renew your lease for two (2) additional years. It is required that you notify us of your desire to exercise such an option within ninety (90) days from the end of the existing term. Your existing lease ends on April 30, 1998, and therefore, if you plan to exercise this option, you must notify us by February 1, 1998. You can use this letter for such notice, by signing and sending back to me.

Sincerely,



Lou Goetz
Park City Developments


I choose to exercise my option to renew the lease between Courtyard Associates
(as Landlord) and Sue Koenigshofer (as Tenant)

DK
SK

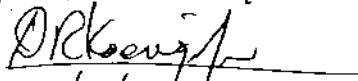
~~Three (3) additional two (2) year options shall be added to the lease of the same terms and conditions as the existing options~~

TEQUANT:

Sue Koenigshofer


Date: 3/23/98

LANDLORD: Courtyard Associates


4/7/98



D E S I G N

March 4, 1996

Mr. Lou Goetz
Park City Developments, Inc.
921 Morreene Road
Durham, NC 27705

Dear Lou,

As I mentioned on the phone, SCK Design will be leasing part of space #22—the two offices that open onto the hallway. We would like to continue to call our space Suite 21.

Dan and I have discussed the following terms:

- 2 year lease at \$12.88 per square foot, with a ^{2, 2} year option² at our current rate on this or another agreeable space on the second or third floors
- increases at 2% per year, starting in one year
- start lease when upfit is complete

I would like to have the following upfit provided by the Courtyard:

- New carpeting and paint, and baseboard where necessary
- Remove glass wall and build partial wall as specified
- Remove door to glass office
- Build new wall to separate space from the new IES space
- Refinish window sill and square up window framing
- Replace ceiling tiles as necessary to match existing
- Install adjustable shelving in closet
- Change switches, receptacles, telephone lines and data conduits as shown
- Replace switches and receptacles with white ones
- Patch all holes in walls

Replace ceiling returns with new ones
Thank you for your help in this matter.

Sincerely,

Sue Koenigshofer

2 attachments
cc: Dan Koenigshofer

The Courtyard, Suite 21
431 West Franklin Street
Chapel Hill, NC 27516
Phone: 919 942-2007
Fax: 919 968-7609

STANDARD OFFICE LEASE
THE COURTYARD
CHAPEL HILL, N.C.

THIS INDENTURE OF LEASE, made on the 12th day of April, 1996, by and between Courtyard Associates, The Courtyard, Chapel Hill, N.C., having its principal place of business in Orange County, North Carolina, hereinafter called the "Lessor", which term shall include its successors and assigns wherever the context so requires or admits, and Susan Koenigshofer herein designated as the "Tenant", which term shall include their successors or assigns wherever the context so requires or admits.

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 18 shall govern the relationship of the parties.

(aa) Landlord's Address : 431 W. Franklin St., The Courtyard, Chapel Hill, NC 27516.

(bb) Tenant's Trade Name and Address: S.C.K Design Suite 21, 431 West Franklin St., Chapel Hill, NC 27516

(cc) Demised Premises: The property leased to Tenant is that area described and shown in Exhibit "A", A1 (attached) which consists of 316 rentable square feet, which is space number 21 of The Courtyard. ~~The usable area of the Demised Premises _____ square feet has been multiplied by the core area factor of 1.15 to determine the rentable square footage.~~

(dd) Commencement Date: Approx. 4/1/96, or when A/C fit is finished

(ee) Expiration Date: Approx 3/31/98, or 2 Years from Commencement

(ff) Minimum Rent: \$339.17 per month, payable in advance.

(gg) Security Deposit: \$ N/A.

(hh) Permitted Uses: Tenant will use the Demised Premises solely for the purpose of conducting the business of: GENERAL OFFICE

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.

(ii) Parking: \$ _____ for - 0 - spaces.

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:

W I T N E S S E T H:

ARTICLE I
GRANT AND TERM

1.1 PREMISES LEASED

That for and in consideration of the sum of Ten (\$10.00) Dollars and other valuable consideration each to the other in hand paid, and in consideration of the payment from time to time of the rents hereinafter stipulated and for and in consideration of the performance by the Tenant of the covenants hereinafter contained by the Tenant to be kept and performed, the Lessor has leased, let and demised and by these presents does lease, let and demise unto the Tenant, and the Tenant accepts from the Lessor, those certain premises, now or hereafter to be erected in The Courtyard in the City of Chapel Hill, County of Orange and State of North Carolina, ~~which premises consist of an office having a width of _____ feet approximately, front and rear, from outside of exterior wall to center of interior wall, by a depth of _____ feet approximately, measured in like manner, containing an area of approximately 316 square feet,~~ herein called the "leased premises", as identified and shown on sketch of premises attached hereto as Exhibit A, A1, + A-2.

1.2 USE OF COMMON AREAS

The use and occupation by the Tenant of the leased premises shall include the use in common with others entitled thereto of the common areas, service roads, loading facilities, sidewalks and customer car parking areas shown and depicted on Exhibit B and other facilities as may be designated from time to time by the Lessor, subject, however, to the terms and conditions of this agreement and to reasonable rules and regulations for the use thereof as prescribed from time to time by the Lessor.

1.3 GENERAL LAYOUT

The Leased Premises are shown and outlined in red 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 Lessor that said Courtyard will remain exactly as indicated on said diagram. Lessor may increase, reduce, or change the number, dimensions or location of the walks, building and parking areas in any manner whatsoever as Lessor shall deem proper, and reserves the right to make alterations or additions to, or to build additional stories on the building in which the Leased Premises are contained and to add building adjoining the same or elsewhere 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.

1.4 COMMENCEMENT OF TERM

The term of this lease and Tenant's obligation to pay rent, shall commence: Approx 4/1/96, or when space is ready

1.5 LENGTH OF TERM

The term of this lease shall be for 2 years and 0 months following the commencement of the terms as provided in the preceding paragraph.

at Tenants shall have two (2) options of two (2) years for each option,

1.6 EXCUSE OF LESSOR'S PERFORMANCE

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, covenants and conditions 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.

Unless the space is denied by IES Engineers and alternate space agreeable to IES of IES can be located. IES Design would then be moved at the lessor's expense.

ARTICLE 17
RENT

2.1 BASIC RENT

(a) The Tenant hereby agrees to pay the Lessor without demand at its office or at such other place or places as Lessor may from time to time designate in writing, the following rents for the aforesaid leased premises, for the term of this lease, to wit:

(b) Cost of Living Adjustment: The annual rent during the term of this lease and renewal term as set forth above shall be adjusted upward at the end of each lease year for the forthcoming lease year by referenced 2% to the ~~Consumer Price Index~~ as published by the U.S. Department of Labor ~~Statistics~~, with the base year and base rent for such calculation being the ~~calendar~~ year during which this lease term began and the annual rent as set forth above in section 2.1(a).

Notice of exercise of such option shall be provided to landlord at least 90 days prior to any specific lease term terminating. All terms and conditions of lease shall apply for option terms.

(c) 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%).

2.2 LEASE YEAR

The term "lease year" as used herein shall mean the period beginning with the commencement of the term of this lease.

2.3 FULL TIME OPERATION OF BUSINESS

At all times during the term of this lease the Tenant shall keep the entire leased premises open for business during regular business hours and conduct its business in a high class and reputable manner.

2.4 ADDITIONAL RENT

In addition to the foregoing annual rent, all other payments to be made by Tenant to Lessor shall be deemed to be and shall become additional rent hereunder whether or not the same be designated as such, and shall be due and payable on demand or together with the next succeeding installment of rent, whichever shall first occur, together with interest thereon. Lessor shall have the same remedies for failure to pay the same as for a non-payment of rent. Lessor, at its election, shall have the right to pay or do any act which requires the expenditure of any sums of money by reason of the failure or neglect of Tenant to perform any of the provisions of the lease, and in such event, Tenant agrees to pay Lessor, upon demand, all such sums together with interest thereon as additional rent. The payment of interest provided above shall be at a rate of 150% of the current prime rate, but not in excess of the maximum legal rate of interest which may be charged.

ARTICLE III SECURITY DEPOSIT

3.1 TERMS OF DEPOSIT

Tenant, contemporaneously with the execution of this lease, has deposited with the Lessor the sum of \$ N/A Dollars, of which sum \$ N/A represents the first month's rent, and the balance of \$ N/A represents security deposit pursuant to this paragraph, receipt of which is hereby acknowledged by the Lessor as security for the full and faithful performance by the Tenant of all the terms, covenants and conditions of this lease upon the Tenant's part to be performed, which said security deposit shall be returned to the Tenant after the time fixed as the expiration of the term hereof, provided the Tenant has fully and faithfully carried out all of said terms, covenants and conditions on Tenant's part to be performed. Lessor shall have the right, but not the obligation, to apply any part of said deposit to cure any default of the Tenant, and if the Lessor does so, Tenant shall upon demand, deposit with Lessor the amount so applied so that the Lessor shall have the full deposit on hand at all times during the term of this lease. Tenant's failure to pay to Lessor a sufficient amount to restore said security to the original sum deposited within five (5) days after receipt of demand therefor, shall constitute a breach of the lease. No interest shall be paid by the Lessor to the Tenant on such security deposit. Should Tenant comply with all of said terms, covenants and conditions and promptly pay all of the rental herein provided for as it falls due and all other sums payable by the Tenant and Lessor hereunder, the said deposit shall be returned in full to the Tenant at the end of the term of this lease or at the earlier termination of this lease.

3.2 TRANSFER OF DEPOSIT

In the event of a sale of the building or a lease on the land on which it stands, subject to this lease, the Lessor shall have the right to transfer the security to the vendee or lessee and the lessor shall be considered released by the Tenant from all liability for the return of such security and the Tenant shall look to the new lessor or lessee solely for the return of the said security and it is agreed that this shall apply to every transfer or assignment made of the security to a new lessor. The security deposited under this lease shall not be mortgaged, assigned or encumbered by the Tenant without the written consent of the Lessor and may be co-mingled with other funds of Lessor.

ARTICLE IV USE OF PREMISES

4.1 TENANT'S USE

Tenant shall use the leased premises solely for the purpose of conducting the business of: OFFICE - GENERAL.

Tenant shall occupy the leased premises for no other purpose and such use and occupancy shall 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.

4.2 CONDUCT OF BUSINESS

Tenant shall conduct its business in the leased premises during the regular customary days and hours for such type of business in the city or trade area in which The Courtyard is located, and as specified in Exhibit C, Rules and Regulations.

4.3 FIXTURES

All fixtures installed by Tenant shall be new or high quality antiques. Tenant shall not decorate, paint, or alter the Leased 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 Leased Premises, or any building located in The Courtyard Square, including the roof or the canopy thereof, nor place any vents, structure, building, improvement, sign or advertising device, or obstruction of any type or kind upon the community area or upon the Leased Premises without first obtaining Lessor's written consent and complying in all respects with all requirements set forth in section 9.6. If Tenant shall do any of such acts without consent, Lessor shall have the right to remove any such decoration, paint, alteration, sign or attachment and to restore the Leased Premises or community area to the condition thereof prior to such act; and the cost of such removal and restoration shall be paid by Tenant as additional rental.

4.4 QUALITY OF TENANT'S WORK

All construction, renovation, additions, alterations, or installations of fixtures or equipment shall be done in a good and workmanlike manner of such high quality as to equal or exceed the quality of construction performed by Lessor throughout The Courtyard. Lessor reserves the right to inspect Tenant's work and, if in Lessor's sole opinion said work is not of sufficiently high standards, to require improvements or, if Tenant fails or refuses to improve same, to have such improvements done and add the cost thereof to Tenant's rent.

ARTICLE V PARKING AND COMMON USE AREAS AND FACILITIES

5.1 USE IN COMMON

Lessor grants to Tenant, in common with other tenants and their agents, employees and customers and persons doing work for or business

with tenants in The Courtyard the right to use the "common areas" consisting of the parking areas, roadways, pathways, sidewalks, tunnels, entrances and exits and other areas and facilities designated by Lessor for common use in The Courtyard and/or in the building containing the leased premises.

5.2 CONTROL AND MANAGEMENT OF COMMON AREAS

The common areas shall be subject to the exclusive control and management of Lessor and Lessor shall have the right to establish, modify, change and enforce rules and regulations with respect to the common areas and Tenant agrees to abide by and conform with such rules and regulations. 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 park their automobiles only in such areas as Lessor from time to time designates for employees parking areas which areas may be within or without The Courtyard. Lessor 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 Lessor'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 Lessor deems necessary in order to discourage non-customer parking and to do other things in the parking areas as Lessor in its discretion deems necessary for the benefit of The Courtyard.

ARTICLE VI UTILITIES

6.1 UTILITIES

Lessor 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. It is specifically agreed that Lessor undertakes to furnish only a reasonable amount of water and electric current, and that Lessor reserves the right to install meters and to make extra rental charges for any consumption of water or electric current which it deems to be greater than normal, excessive or wasteful.

Lessor shall maintain adequate heating & cooling to the space.

Any increase in energy costs in excess of 10% over the previous twelve (12) months shall be charged to the Lessee. This will be calculated on the anniversary of this lease each year of its term.

6.2 INSTALLATION AND MAINTENANCE

Lessor agrees to provide and install a heating and air conditioning plant to provide heating and air conditioning to the leased premises.

ARTICLE VII WASTE, GOVERNMENTAL REGULATIONS

7.1 WASTE

Tenant shall not commit or suffer to be committed any waste upon the leased premises or any nuisance or other act or thing which may disturb the quiet enjoyment of any other tenant in the building in which the leased premises may be located, or in The Courtyard, or which may disturb the quiet enjoyment of any person within five hundred feet of the boundaries of The Courtyard.

7.2 GOVERNMENT REGULATIONS

Tenant shall, at Tenant's sole cost and expense, comply with all of the requirements of all county, municipal, state, federal and other applicable governmental authorities, now in force, or which may hereafter be in force, pertaining to the said premises, and shall faithfully observe in the use of the premises all municipal and county ordinances and state and federal statutes now in force or which may hereafter be in force.

ARTICLE VIII
INDEMNIFICATION OF LESSOR AND LIABILITY INSURANCE

8.1 INDEMNIFICATION

Except as to any claim caused by the negligence of Lessor, Tenant shall indemnify Lessor and save it harmless from demands, suits, damages, liability and expense in connection with loss of life, personal injury or property damage arising from or out of any occurrence in, upon, at or from the Leased Premises or any improvements thereon or the occupancy or use by Tenant of said premises or any part thereof, or occasioned wholly or in part by any act of omission by Tenant, its agents, contractors, employees, invitees or licensees.

8.2 TENANT'S PROPERTY

Tenant shall store its property in and shall occupy the Leased Premises and all other portions of The Courtyard at its own risk, and releases Lessor to the full extent permitted by law from all claims of every kind resulting in loss of life, personal or bodily injury or property damage. Lessor shall not be responsible or liable at any time for any loss or damage to Tenant's merchandise, equipment, fixtures or other personal property of Tenant or at Tenant's business; and Lessor 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 persons occupying adjacent, connecting or adjoining premises.

8.3 DEFECTS IN PREMISES

Lessor 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.

8.4 NOTICE OF CASUALTY

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

8.5 TENANT'S INSURANCE

Tenant shall at all times during the term of this lease pay all premiums for and maintain in full force and effect the following insurance in standard form generally in use in the State of North Carolina with insurance companies authorized to do business in said state:

A. Comprehensive public liability insurance in the amount of at least \$500,000.00 for any occurrence resulting in bodily and personal injury to or the death of one or more persons and consequential damages arising therefrom; and

B. Comprehensive property damage insurance covering liability for damage to all property in the amount of at least \$100,000.00 for each occurrence either without the policy containing the "care, custody and control" exclusion, or, in the alternative, providing fire and extended coverage legal liability insurance.

8.6 LESSOR NAMED AS INSURED

Such insurance and certificates shall name Lessor as an additional insured for the full amount of the insurance herein required. Tenant, at the beginning of the term of this lease and thereafter not less than thirty (30) days prior to the expirations of any such policy, shall furnish Lessor with a standard certificate of insurance executed by the insurer involved also containing an undertaking by the insurer to give Lessor ten (10) days prior written notice of any cancellation, non-renewal or change in scope or amount of coverage of such policy.

8.7 LESSOR'S INSURANCE

At all times during the term of this lease, Lessor shall maintain in effect policies of insurance covering the building and improvements of which the Leased 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 Leased Premises constitute a part.

8.8 TENANT'S ADDITIONAL INSURANCE

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 Lessor and Tenant, as their interests may appear as follows:

A. Insurance covering Tenant's trade fixtures, furniture, furnishings, equipment, betterments and improvements and other installations of Tenant, 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.

8.9 WAIVER OF SUBROGATION

Lessor and Tenant hereby grant to each other and on behalf of its insurers, a waiver of any right of subrogation any such insurer of one party may have or acquire against the other by virtue of payment of any loss under such insurance. Such waiver shall be effective so long as each is empowered to grant such waiver under the terms of its insurance policy or policies involved without payment of additional premium. Such waivers shall stand mutually terminated as of the date either Lessor or Tenant ceases to be so empowered. Tenant agrees to provide each and every insurance company providing a policy or policies as may be required herein with a copy of this lease or notice of this provision for waiver of subrogation.

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.

ARTICLE IX
MAINTENANCE AND IMPROVEMENTS

9.1 LESSOR'S MAINTENANCE

Lessor will keep the roof and exterior walls of the Leased Premises in proper repair, provided that in each case when known Tenant shall have given Lessor's 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 Leased Premises with Tenant's consent, express or implied, or Tenant's failure to perform any of its obligations under this Section, Lessor may at his option make such repair and add the cost thereof to the first installment of Minimum Rent which shall thereafter become due. Lessor will provide reasonable janitorial services.

9.2 TENANT'S MAINTENANCE

Tenant covenants and agrees to keep and maintain in good order, condition and repair the Leased Premises and every part thereof, including fixtures and equipment therein. Tenant will surrender the Leased 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.

9.3 PROMPT REPAIRS

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 Lessor, Lessor may at its option make such repairs without liability to Tenant for any loss or damage which may result to its business by reason of such repairs, and Tenant shall pay to Lessor upon demand as additional rental hereunder the cost of such repairs plus interest from the date of payment by Lessor until repaid by Tenant.

9.4 TENANT ALTERATIONS

Tenant shall not make any alterations, additions, or improvements to the Leased Premises without the prior written consent of Lessor, except the installation of unattached movable trade fixtures which may be installed without drilling, cutting or otherwise defacing the Leased Premises. All fixtures installed by Tenant shall be new or approved by Lessor.

9.5 TENANT'S CONSTRUCTION

All construction work done by Tenant within the Leased 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 Square. 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 Lessor harmless against any loss, liability or damage resulting from such work or liens filed.

9.6 PLANS FURNISHED

Whenever Tenant proposes to do any construction work within the Leased Premises, it shall first furnish to Lessor plans and specifications in such detail as Lessor may request covering all such work. Such plans and specifications shall comply with such requirements as Lessor may from time to time prescribe for construction within The Courtyard. In no event shall any construction work be commenced within the Leased Premises without Lessor'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 Lessor.

9.7 LESSOR'S PROPERTY

All additions, alterations, and improvements (including but not limited to additional heating and air conditioning units installed by Tenant) shall become the property of Lessor 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.

ARTICLE X ACCESS BY LESSOR

10.1 RIGHT TO ENTER

Lessor or Lessor's agents shall have the right to enter the leased premises at all times to examine the same, and to show them to prospective purchasers or lessees of the building and to make such repairs, alterations, improvements or additions as Lessor may deem necessary or desirable, and Lessor shall be allowed to take all material into and upon said premises that may be required therefor without same constituting an eviction of Tenant in whole or in part and the rent reserved shall in no wise abate while said repairs, alterations, improvements, or additions are being made, by reason of loss or interruption of business of Tenant, or otherwise. During the six months prior to the expiration of the term of this lease or any renewal term, Lessor may exhibit the premises to prospective tenants or purchasers. If Tenant shall not be personally present to open and permit an entry into said premises, at any time, when for any reason an entry therein shall be necessary or permissible, Lessor or Lessor's agent may enter the same by master key, or may forcibly enter the same, without rendering Lessor or such agents liable therefor, and without in any manner effecting the obligations and covenants of this lease. Nothing herein contained, however, shall be deemed or construed to impose upon Lessor any obligation, responsibility or liability whatsoever, for the care, maintenance or repair of the building or any part thereof, except as otherwise herein specifically provided.

10.2 EXCAVATIONS

If an excavation shall be made upon land adjacent to the leased premises or shall be authorized to be made, Tenant shall afford to the person causing or authorized to cause such excavation, license to enter upon the leased premises for the purpose of doing such work as Lessor shall deem necessary to preserve the wall of the building of which the leased premises form a part of the injury or damage and to support the same by proper foundation, without any claim for damages or indemnification against Lessor or diminution or abatement of rent.

ARTICLE XI DESTRUCTION OF LEASED PREMISES

If the leased premises shall be damaged by fire, the elements, unavoidable accident or other casualty, but are not thereby rendered untenable in whole or in part, Lessor shall promptly at its own expense cause such damage to be repaired, and the rent shall not be abated; if by reason of such occurrence, the premises shall be rendered untenable only in part, Lessor shall promptly at its own expense cause damage to be repaired, and the minimum rent meanwhile shall be abated proportionately as to the portion of the premises rendered untenable; if by reason of such occurrence the premises shall be rendered wholly untenable, Lessor shall promptly at its own expense cause such damage to be repaired, and the minimum annual rent meanwhile shall be abated in whole, except that if at the time of such total destruction there shall be twenty-four (24) months or less remaining of the term of this lease within sixty (60) days after said occurrence either Tenant or Lessor at his option may give written notice that it has elected not to reconstruct the destroyed premises in which event this lease and the tenancy hereby created shall cease as of the date of said occurrence, the minimum rental and the percentage rental to be adjusted as of such date. Unless the parties shall otherwise agree in writing, Lessor shall have no interest

in the proceeds of any insurance carried by Tenant on Tenant's interest in its lease and Tenant shall have no interest in the proceeds of any insurance carried by Lessor.

ARTICLE XII
EMINENT DOMAIN

If the whole or any part of The Courtyard Square shall be taken by eminent domain or in any manner for public use, the Lessor may at its option terminate this lease and the estate hereby granted by giving written notice of such termination to Tenant and upon the giving of such written notice by Lessor the estate hereby granted and all rights of Tenant hereunder shall expire as of the earlier of the date when title to or the right to possession of the shopping center of a part thereof shall vest in or be taken by public authority as aforesaid and any rent paid for any period beyond said date shall be repaid to Tenant. Tenant shall not be entitled to any part of any award or payment which may be paid to Lessor or made for Lessor's benefit in connection with such public use and Tenant shall have no claim or rights against Lessor for the value of any unexpired term of this lease. However, the widening of any street abutting the shopping center shall not affect this lease, provided that no part of any building is so taken.

ARTICLE XIII
ASSIGNMENT AND SUBLETTING

Tenant shall not assign or sublet any part of the Leased Premises without the prior written consent of the Lessor which may be withheld. The consent of Lessor to any assignment or sub-letting or other act of Lessor, 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.

ARTICLE XIV
QUIET ENJOYMENT

Lessor covenants that, subject to compliance with all terms and obligations herein imposed upon the Tenant, the Tenant shall hold and enjoy the Leased Premises during the term of this lease free from the adverse claims of any and all persons.

ARTICLE XV
HOLDING OVER

If the Tenant remains in possession after the expiration of the term or any extension 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.

ARTICLE XVI
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 Leased Premises: and the Tenant shall execute and deliver to Lessor or lender upon request any instrument or instruments reasonably requested by the Lessor 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 no be disturbed by an foreclosure or otherwise so long as Tenant is not in default hereunder.

ARTICLE XVII
DEFAULT

17.1 EVENTS OF DEFAULT

If Tenant (a) fails to pay any rental or other payment here-under as it comes due; or (b) if 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 Lessor 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 Lessor) terminate and come to an end on the date specified in such Notice. Tenant shall thereupon quit and surrender the Leased Premises to the Lessor as if the term here-under ended by the expiration of the time originally fixed herein, but Tenant shall remain liable as hereinafter provided.

17.2 NOTICE

The written Notice required of Lessor under the preceding section shall provide for five (5) days of grace to cure a monetary default, or thirty (30) days to cure a non-monetary default which can 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 to complete the curing of said default as soon as possible.

17.3 RIGHT OF RE-ENTRY

If the Notice provided shall have been given and the term shall expire as aforesaid, or should Lessor elect not to terminate this lease, Lessor shall have the immediate right to re-entry and may remove all persons and property from the Leased 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 guilty of trespass, or becoming liable for any loss or damage which may be occasioned thereby. Lessor 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 Lessor's lien now or that may thereafter be provided by law.

17.4 REMEDIES

Should Lessor elect to re-enter or should it take possession pursuant to legal proceedings or pursuant to any Notice provided or 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 term or terms (which may be for a term extending beyond the term of this lease) and at such rentals and upon such other terms and conditions as Lessor in its sole discretion may deem advisable. Upon each such reletting, all rentals received by Lessor from such reletting shall be applied, first, to the payment of any indebtedness other than rent due hereunder from Tenant to Lessor; second, to the payment of any cost and expenses of such reletting, including brokerage fees and attorney's fees, and of 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 Lessor and applied in payment of future rent as the same may become due and payable hereunder. If such rentals received from such reletting during any month be less than that to be paid during that month by Tenant hereunder, Tenant shall pay any such deficiency to Lessor. Such deficiency shall be calculated and paid monthly. Lessor 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 Leased Premises for the remainder of the stated term, all of which amount shall be immediately due and payable from Tenant to Lessor.

17.5 INJUNCTION

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

17.6 NON-EXCLUSIVE REMEDIES

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

17.7 BREACH BY LESSOR

Lessor shall in no event be in default in the performance of any of its obligations in this lease contained unless and until Lessor shall have failed to perform such obligation within thirty (30) days, or such additional time as is reasonably required to correct any such default, after notice by Tenant to Lessor properly specifying wherein Lessor has failed to perform any such obligation.

ARTICLE XVIII
MISCELLANEOUS PROVISIONS

18.1 NOTICE

All notices by either party to the other provided for in this lease shall be in writing and shall be sent by telegram, registered or certified mail, or personally delivered, until otherwise designated, as follows:

To Lessor: Courtyard Associates/Chapel Hill
#24 The Courtyard
431 W. Franklin St.
Chapel Hill, NC 27516

To Tenant: Sue Koenigshofer
S.C.K. Design
The Courtyard, Suite 21
431 W. Franklin St.
Chapel Hill, N.C. 27516

18.2 STATEMENT OF ACCOUNTS

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

18.3 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 Lessor against and hold it harmless from all liabilities arising from any such claim, including cost of counsel.

18.4 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 shall constitute a breach of the terms of this lease. Lessor 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 Leased Premises and The Courtyard.

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 shall not be changed or varied except by written instrument signed by both parties.

18.6 RIDER

A rider, consisting of Exhibits A-E page with one paragraph is attached hereto and made a part hereof.

18.7 EXTENT OF AGREEMENT

This document, consisting of 20 pages is the entire agreement between lessee and lessor notwithstanding any other verbal or written communication.

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)

STATE OF NORTH CAROLINA
COUNTY OF ORANGE

I, a Notary Public in and for said County and State do hereby certify that Daniel R. Koenigshofer, General Partner of Courtyard Associates/Chapel Hill, a Limited Partnership, personally appeared before me this day and acknowledged the due execution of the foregoing Lease.

Witness my hand and notarial seal, this 28th day of March, 1996.

My Commission expires: 9.8.99
Teri K Swanson
Notary Public

STATE OF NORTH CAROLINA
COUNTY OF ORANGE

I, a Notary Public in and for said County and state do hereby certify that _____ personally appeared before me this day and acknowledged that (s)he is Secretary of _____, a North Carolina corporation, and that by authority duly given and as the act of the corporation, the foregoing of Lease was signed in its name by its President, sealed with its corporate seal and attested by him/her as its Secretary.

Witness my hand and notarial seal, this _____ day of _____, 19____.

My Commission expires: _____
Notary Public

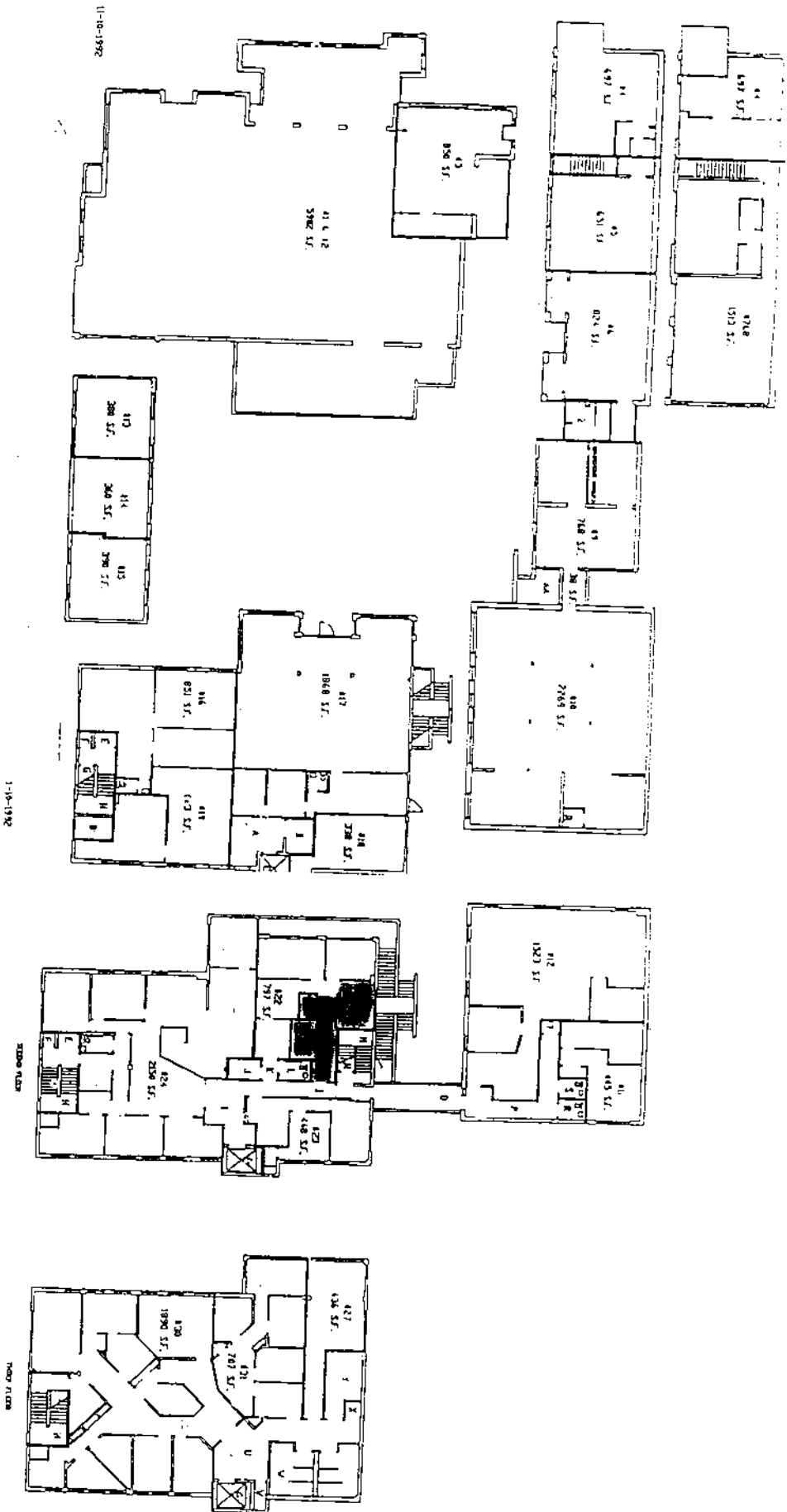
STATE OF NORTH CAROLINA
COUNTY OF ORANGE

I, A Notary Public in and for said County and State do hereby certify that Susan Koenigshofer personally appeared before me this day and acknowledged the due execution of the foregoing Lease.

Witness my and notarial sea, this 28th day of March, 1996.

My Commission expires: 9.8.99
Teri K Swanson
Notary Public

EXHIBIT "A"
 DEMISED PREMISES

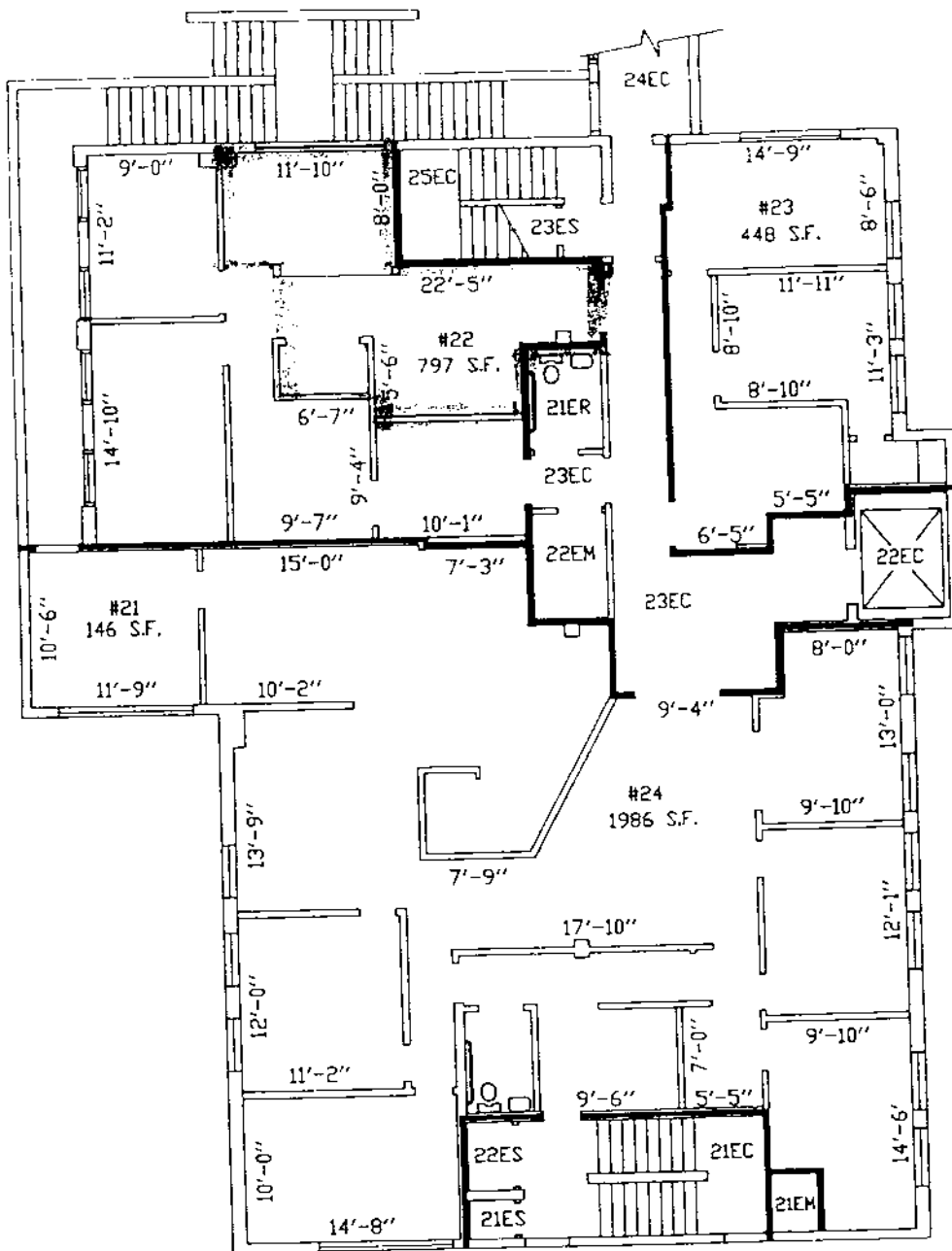


2641-10-11

1-16-1942

1274-10-11

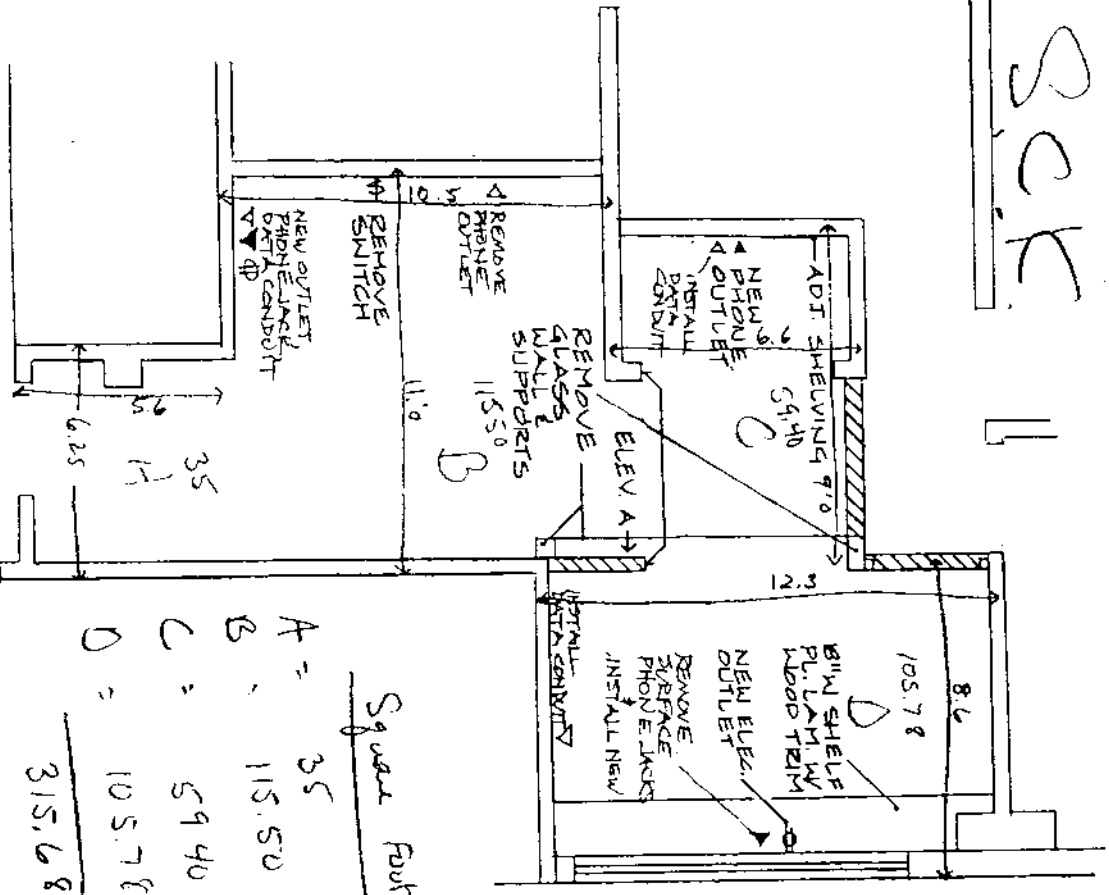
1274-10-11



BUILDING E
SECOND FLOOR

BUILDING E
SCALE: 1"=10'-0"
DIMENSIONS ARE INSIDE

SECK



A = 35
 B = 115.50
 C = 59.40
 D = 105.78

 315.68

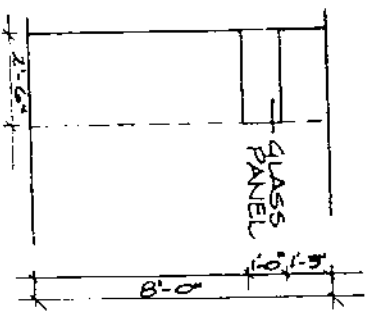
Square Footage

NOTES:

1. REPAIR DOORS TO BE CLEANED & FINISHED AS SPECIFIED.
2. ALL WALLS TO BE PAINTED AS SPECIFIED & ALL TRIMWORK TO BE PTD. AS SPECIFIED.
3. WINDOW TO BE TRIM.
4. WIND. OUTLET MED. CLOSET SHELVING TO CONSIST OF (6) WALL TO WALL SHELVES HEIGHT & FINISH TO BE SHED.

ZZZZZ NEW CONST.

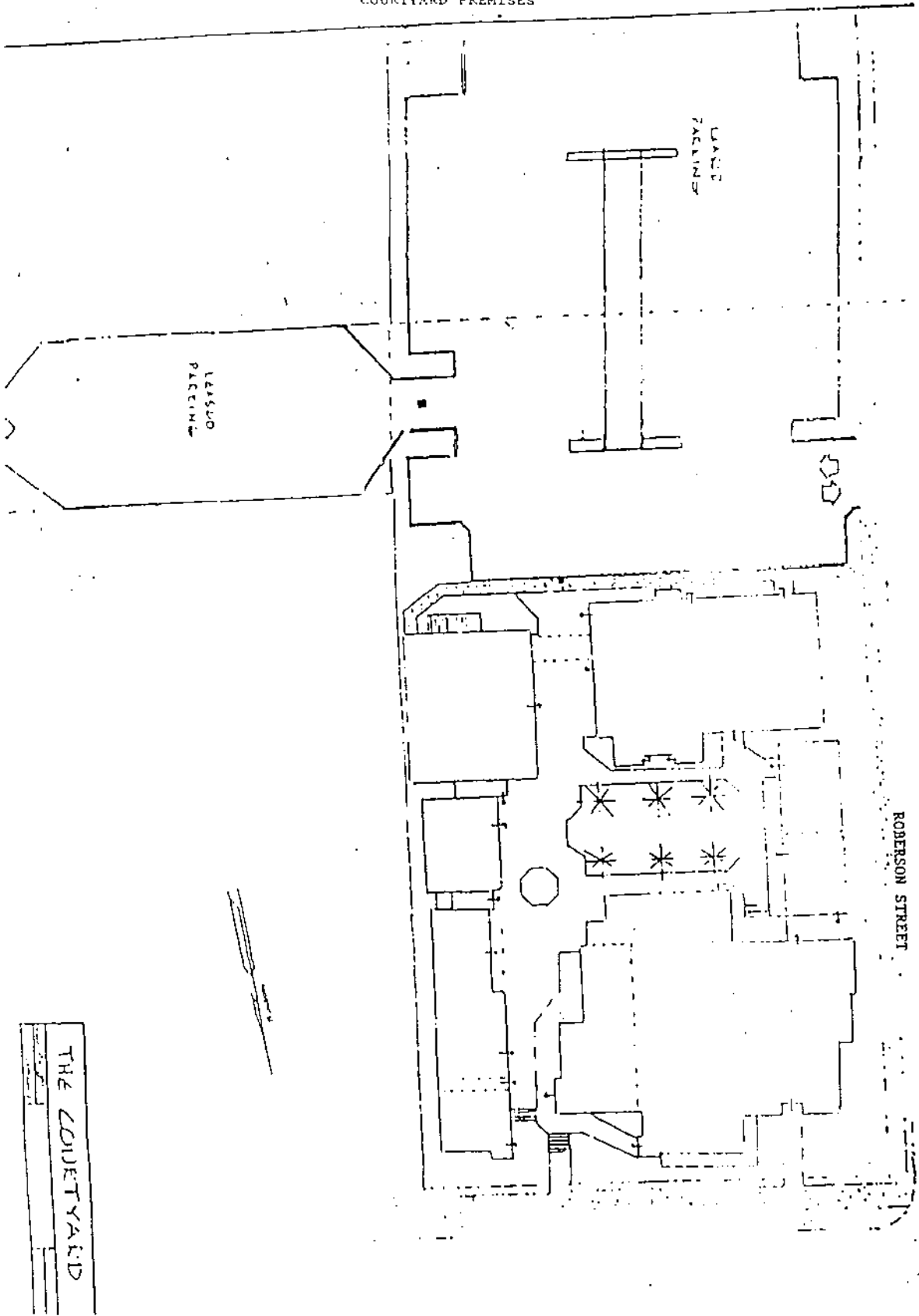
ELEVATION A
 1/4" = 1'-0"
 W/ SHEET ROCK RETURNS (NO MOLDING)



THE COURTYARD - AREA #22
 FEB. 22, 1996
 UPFIT PLAN 1/4" = 1'-0"

CONJIE R. GUILD, ASID
 919-942-8853

EXHIBIT "B"
COURTYARD PREMISES



WEST FRANKLIN STREET

EXHIBIT "C"

RULES AND REGULATIONS

COURTYARD ASSOCIATES/CHAPEL HILL - LESSOR

SUE KOENIGS HOFER -TENANT

LEASE DATED _____

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

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

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

C. Store all trash and garbage in adequate containers within the Leased Premises, maintained in a neat and clean condition and located as Lessor 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 Lessor;

D. Not overload any floor in the Leased Premises; or use or operate and machinery that in Lessor's opinion is harmful to the building or disturbs other tenants in The Courtyard;

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

F. 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;

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

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

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

J. Not install a television antenna upon or within any building or improvement in The Courtyard;

K. 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;

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

M. 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 Leased Premises, and save Lessor harmless from penalties, fines, costs, expenses or damages resulting from failure to do so;

N. Give to Lessor prompt written notice of any accident, fire or damage occurring on or to the Leased Premises and the community areas;

O. Keep the Leased 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 Leased Premises;

P. Require Tenant's employees to park their cars only in those portions of the parking area or at such other places as are designated for that purpose by Lessor. Tenant shall from time to time, upon written notice from Lessor, promptly furnish Lessor with the State automobile license numbers assigned to Tenant's cars and the cars of all Tenant's officers, employees, agents, contractors and licensees;

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

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

EXHIBIT "D"

1. Landlord agrees to perform the following improvements to the Demised Premises described in section cc and Exhibit "A". Landlord further agrees to complete said work on or before 4/1/96 subject to the provisions of Section 3 of the Rider to this lease.

- Landlord's Work:
- A) New carpeting and paint, and baseboard ^{where necessary}
 - B) Remove glass wall and build partition wall
 - C) Remove door to glass office
 - D) Build new wall to separate space from new IES space
 - E) Refinish window sill and square up window framing.
 - F) Replace ceiling tiles as necessary to match existing
 - G) Install adjustable shelving in closet
- see below to continue

2. Tenant agrees to perform the following improvements to the Demised Premises described in Section cc and Exhibit "A". Tenant further agrees to complete said work on or before _____ subject to the provisions of section 4 of this Lease.

Tenant's Work:

Courtyard Associates/Chapel Hill

By: [Signature]
Tenant

By: _____
Manager

By: [Signature] G.P.
President

By: _____
Secretary

Continued from Landlord's Work:

- H) Change switches, receptacles, telephone lines and data conduits as shown.
- I) Replace switches and receptacles w/ white ones
- J) Patch all holes in walls.

EXHIBIT "E"

SIGN CRITERIA

COURTYARD SIGN GUIDELINES

All signs must be presented to the management for prior approval. Sign designs must show locations, layout of each sign and materials and colors. The review process will require about one week.

MAIN EXTERIOR SIGN

Size: Not Greater than 6 square feet

Design and Materials : Varies

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.

OTHER SIGNS

Additional signs will be reviewed on an individual basis.

LEASE COMMENCEMENT AGREEMENT

TO LEASE DATED THE 1ST DAY OF APRIL, 1996 BETWEEN COURTYARD ASSOCIATES (LANDLORD), AND S.C.K. DESIGN (TENANT), DEMISING SUITE 21 AT THE COURTYARD, 431 W. FRANKLIN ST., CHAPEL HILL, NC 27516.

PURSUANT TO PROVISIONS OF THE ABOVE LEASE, LANDLORD AND TENANT, INTENDING TO BE LEGALLY BOUND HEREBY, AGREE THAT THE TERM OF THE SAID LEASE COMMENCES ON THE FIRST (1) DAY OF MAY 1996, RENT COMMENCES ON THE FIRST (1) DAY OF MAY 1996, AND LEASE SHALL END AT THE MIDNIGHT ON THE THIRTIETH (30) DAY OF APRIL 1998, UNLESS SOONER TERMINATED OR EXTENDED AS THEREIN PROVIDED. TENANT AGREES THAT THE LEASE IS IN FULL FORCE AND EFFECT AND HAS NOT BEEN MODIFIED, SUPPLEMENTED OR AMENDED IN ANY WAY EXCEPT AS SPECIFICALLY NOTED THEREIN.

TENANT AGREES THAT, AS OF AND THROUGH THE DATE HEREOF, LANDLORD HAS FULLY AND TIMELY COMPLIED WITH AND PERFORMED EACH AND EVERY OF ITS OBLIGATIONS AS SET FORTH IN THE LEASE AND THAT TENANT HAS NO CLAIM OR CLAIMS OR CAUSE OR CAUSES OF ACTIONS AGAINST LANDLORD WHATSOEVER AND HAS NO RIGHT TO ANY SETOFF(S) AGAINST ANY AND ALL SUMS DUE LANDLORD.

IN WITNESS WHEREOF, THE PARTIES HERETO HAVE DULY EXECUTED THIS SUPPLEMENT TO SAID LEASE AS OF May 6, 1996.

WITNESS:

[Signature]

(AS TO LANDLORD)

[Signature]

(AS TO TENANT)

LANDLORD:

[Signature]
5/6/96

TENANT: [SEAL]

[Signature]
[Signature]