

HOLD: SATISKY & SILVERSTEIN #170

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PRESENTED
TO
REGISTRATION

STATE OF NORTH CAROLINA

000225

GROUND LEASE AGREEMENT

COUNTY OF WAKE

THIS GROUND LEASE AGREEMENT (the "Lease") made and entered into as of the 1 day of December, 1998, by and between FIRST PRESBYTERIAN CHURCH RALEIGH, NORTH CAROLINA, PRESBYTERIAN CHURCH (U.S.A.), INC., a North Carolina non-profit corporation, with a business address of 111 West Morgan Street, Raleigh, North Carolina 27601 (hereafter called the "Lessor"), and RENE LANGFORD, INC., d/b/a LANGFORD CONSTRUCTION COMPANY, a North Carolina corporation, having a mailing address of 1901 Yorkgate Drive, Raleigh, North Carolina 27612 (hereafter called the "Lessee");

STATEMENT OF PURPOSE

Lessor is the fee simple owner of a certain tract of land located in the City of Raleigh, Wake County, North Carolina, at the southwest corner of Dawson and Hargett and more fully described on Exhibit A attached hereto and incorporated herein by reference (the "Demised Premises"). Lessor has agreed to lease to Lessee, and Lessee has agreed to lease from Lessor the Demised Premises upon the terms, provisions and conditions hereinafter set forth in this Lease with the understanding that Lessee, acting as developer of the Demised Premises, shall proceed with construction of a residential condominium building and related facilities thereon (the "Project") and development of the Project, including ultimately the assignment of this Lease to a Homeowners' Association established pursuant to Chapter 47C of the North Carolina General Statutes as hereinafter provided.

WITNESSETH:

In consideration of the rent to be paid, the mutual covenants and agreements herein contained and of other good and valuable considerations, the receipt and legal sufficiency of which are hereby acknowledged by the parties hereto, Lessor hereby leases and rents to Lessee on a "net lease" basis and Lessee hereby leases and rents from Lessor on a "net lease" basis the Demised Premises hereinafter described upon the terms, provisions and conditions hereinafter set forth, to wit:

1. Demised Premises. Lessor hereby leases and rents to Lessee and Lessee hereby leases and rents from Lessor the Demised Premises; together with all right, title and interests, if any, of the Lessor in and to easements, rights-of-ways, streets, alleys, passages, sewer rights, waters, water courses, water privileges, tenements, hereditaments, appurtenances and rights, whatsoever, now or hereafter, in any way belonging, relating or appertaining to the above-referred Demised Premises, and all right, title and interest, if any, of the Lessor, in and to the land lying in the streets, roads, or avenues, open or proposed, in front of, adjoining or servicing said Demised Premises and in and to any strips of land adjoining said Demised Premises.

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2. Term of Lease. The term of this Lease (the "Term") shall begin as of Dec. 1, 1998 (the date of execution of this lease), and shall end at 12:00 midnight on December 31, 2097 (99) years later, unless sooner terminated in accordance with the terms hereof.

3. Rental. Lessee shall pay to Lessor for the use and occupancy of the Demised Premises during the term of this lease One Million Dollars (\$1,000,000), said amount to be paid at the time of execution of this lease. Option payments, previously paid by the Lessee or its affiliate, shall be credited against the lease rent.

4. Condition and Use of Demised Premises. Subject to the terms hereof, Lessee shall initially cause to be fully constructed on the Demised Premises at its sole expense, one (1) first class, multi-story residential condominium having approximately 65,000 square feet of space, together with related facilities in accordance with the applicable zoning and the plans and specifications prepared by Lessee. Lessee shall provide copies of plans and specifications to the Lessor for approval in writing. Subsequent major alteration in the plans must also be approved by Lessor in writing. During the term of this Lease, Lessee shall use the Demised Premises for lawful residential purposes. Lessee shall, at all times in the use of the Demised Premises and the performance of this Lease, comply with all laws, ordinances, decrees, orders, rules and regulations of any lawful authority, agency or governmental unit having jurisdiction over the Demised Premises or the adjacent public streets. Furthermore, Lessee shall make, at its own expense, all alterations of the Demised Premises required by any such authority, agency or governmental unit and shall save Lessor harmless from penalties, fines, costs, expenses or damages resulting from failure to do so.

5. Taxes. Beginning with the Date of execution of the Lease, Lessee shall pay, satisfy and discharge as the same become due and payable, all assessments, real estate taxes, ad valorem taxes of any sort and any other governmental charges (collectively "taxes"), penalties and interest levied or imposed upon or against the Demised Premises, including the improvements to be constructed thereon, during the Term of this Lease. If tax authorities will not agree to send all statements for taxes directly to Lessee upon issuance, Lessor agrees to send copies thereof to Lessee in the same fashion prescribed for notices hereunder within thirty (30) days of receipt. Lessee shall provide Lessor with paid tax receipts no later than ten (10) days prior to the date on which the taxes would otherwise become delinquent. Such assessments, taxes and charges shall be prorated on a calendar year, per diem basis between Lessor and Lessee for the years in which the date of execution of the Lease and the termination of this Lease occur.

Any provisions in this Lease to the contrary notwithstanding, Lessee may, at Lessee's expense, if in good faith it believes that any tax, assessment or other charge payable by it shall be invalid, excessive or unenforceable, in whole or in part, protest, against and contest the validity, amount or enforceability or any such tax, assessment or charge. In such case, Lessee shall comply with all requirements of law as to conditions precedent in making any contest, the Lessee covenants to protect Lessor against foreclosure of any lien resulting from imposition of any such tax, assessment, or other charge which Lessee may contest, including the posting of bonds or other security, to prevent the prosecution of any proceedings which could result in same.

6. Utilities. During the term of this Lease, the Lessee shall pay for all electricity, gas, water, heat, air conditioning, sewerage, janitorial services, garbage disposal and all other utilities or services relating to the use and/or occupancy of the Demised Premises.

7. Insurance. Throughout the term of this Lease, Lessee, at its sole cost and expense, shall keep or cause to be kept insured, for the mutual benefit of Lessor and Lessee, all improvements now or hereafter included in extended coverage endorsements, including vandalism, explosion and malicious mischief coverage for improvements of similar size and quality in Raleigh, North Carolina. The amount of such insurance coverage shall be sufficient to prevent either Lessor or Lessee from becoming a co-insurer under the provisions of the policies, but in no event shall the amount be less than one hundred percent (100%) of the agreed upon replacement cost of all improvements (excluding, however, the cost of replacing excavations and foundations) without deduction for depreciation (hereinafter referred to as the "Full Insurable Value"). Insurance shall be carried by a company licensed to do business in the State of North Carolina subject to Lessor's approval which shall not be unreasonably denied. Lessor shall not carry any insurance insuring any insurable interest of Lessee in the project. If any dispute as to whether the amount of insurance complies with the above cannot be resolved by agreement between Lessor and Lessee, Lessor may, not more often than every two (2) years during the term of this Lease, request at Lessor's cost either the carrier of the insurance then in force or a mutually acceptable insurance consultant to determine the Full Insurable Value, and the resulting determination shall be conclusive between the parties for the purpose of this Article 7. In the event the parties hereto fail to select a mutually acceptable consultant for the purpose of said determination within thirty (30) days after Lessor's notice of demand for same, either party may require that this matter be submitted to binding arbitration as provided in Article 36 hereof. Lessee may include the holder of any mortgage or deed of trust on this leasehold as a loss payee. On Lessor's notice of demand, Lessee shall include the holder of any mortgage or deed of trust on the fee as a loss payee as its interest may appear.

Lessor shall, at Lessee's sole cost and expense, cooperate fully with Lessee to obtain the largest possible recovery in the event of loss. All policies of fire and extended coverage insurance required by this paragraph shall provide that the proceeds be paid to Lessee (or to the holder of any mortgage or deed of trust if previously agreed by Lessee). The Lessee shall use the proceeds to reconstruct or repair the improvements provided, however, that if the condominium building shall during the last 20 years of said term be destroyed or damaged to an extent exceeding fifty percent (50%) of the actual cash value thereof immediately prior to such casualty, Lessee in lieu of such restoration may at Lessee's option within ninety (90) days after such casualty notify Lessor in writing of Lessee's intention to surrender this Lease, and thereby be relieved of all further obligations thereunder. In such event, Lessee shall remove all improvements from the Demised Premises and restore the Demised Premises to a level lot to the extent reasonably possible.

Before commencement of construction of the Project, Lessee shall procure and shall maintain in force until completion and acceptance of the completed improvements "all risks" builder's risk insurance, including vandalism and malicious mischief, in form and with a company reasonably acceptable to Lessor covering improvements in place and all material and

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equipment at the job site furnished under contract, but excluding contractor's and subcontractor's tools and equipment and property owned by the contractor's or subcontractor's employees.

Throughout the term of this Lease, Lessee, at its sole cost and expense, shall keep or cause to be kept in force, for the mutual benefit of Lessor and Lessee, comprehensive broad form general public liability insurance against claims and liability for personal injury, death or property damage arising from the use, occupancy, misuse or condition of the Demised Premises, the improvements located thereon and adjoining rights of ways, providing, at the date hereof, protection of at least Two Million Dollars (\$2,000,000.00) combined single limit coverage for bodily injury or property damage, together with appropriate worker's compensation insurance, in connection with any work on or about the Demised Premises, which amount of insurance coverage shall be adjusted during the term hereof to reflect changes in the Consumer Price Index (CPI) or other similar measure of the cost of living at the request of either party, but not more often than once every two (2) years. Either party may require that this matter be referred to binding arbitration pursuant to Article 36.

Lessee may, in lieu of original policies of insurance, deliver to Lessor certificates of insurance policies or endorsements duly authenticated by the issuing company. All insurance policies (except for worker's compensation coverage) shall name as insured or as additional insureds, as the case may be, Lessor, Lessee and such other persons as may be designated by Lessor and/or Lessee, as their interests may appear. All such policies shall be nonassessable and shall contain language, to the extent obtainable, to the effect that (i) any loss shall be payable notwithstanding any act or negligence of Lessor or Lessee that might otherwise result in a forfeiture of the insurance, (ii) the policies are primary and noncontributing with any insurance that may be carried by Lessor, and (iii) the policies cannot be cancelled or materially changed except after ten (10) days' notice by the insured to Lessor. At the expiration of the Term and in the event Lessor elects to continue said coverages, Lessor shall reimburse Lessee pro rata for all prepaid premiums on insurance required to be maintained by Lessee, and Lessee shall assign all Lessee's right, title and interest in that insurance to Lessor. Lessee may elect for its own account any insurance not required under this Lease.

For the purpose of waiver of subrogation, anything in this Lease to the contrary notwithstanding, Lessor, for itself and successors and assigns, releases and waives unto the Lessee, its officers, directors, agents, employees, successors and assigns, all right to claim damages for any injury, loss, cost or damage to persons or to the Demised Premises or to any building, buildings or other improvements, or the contents and property located therein or thereon, which is occasioned by fire, explosion, accident, occurrence or condition in, on or about the Demised Premises or any other casualty, the amount of which injury, loss, cost or damage has been paid either to Lessor, Lessee or to any other person, firm or corporation under the terms of any fire, extended coverage, public liability or other policy of insurance provided that said release is effective only with respect to matters covered by insurance procured by Lessee and for which waiver(s) of subrogation apply. All policies of insurance carried and maintained pursuant to this Lease shall contain, or be endorsed to contain, a provision whereby the insurer thereunder waives all rights of subrogation against Lessor and Lessee if such coverage is available to the parties after Lessee's attempt to procure same on a commercially reasonable, best efforts basis.

8. Maintenance, Repairs, Alterations, Reconstruction. Except for the period during which construction occurs, Lessee, at its sole cost and expense, shall maintain throughout the term of the Demised Premises and the Project Improvements in a good, first-class condition and state of repair, ordinary wear and tear only excepted, and in accordance with all applicable laws, rules ordinances, orders and regulations of federal, state, county, municipal and other governmental agencies and bodies having jurisdiction. Lessor shall not be required to furnish any services or facilities or to make any repairs or alterations of any kind in or on the Demised Premises.

9. Ownership of Improvements. All improvements constructed on the Demised Premises by Lessee as permitted by this Lease shall be owned by Lessee until expiration of the term or earlier termination of this Lease. Lessee may, without the consent of Lessor, modify, alter or add to improvements constructed on the Demised Premises without the consent of Lessor. Any improvements on the Demised Premises at the expiration of the term or sooner termination of this Lease shall, without compensation to Lessee, then become Lessor's property, free and clear of all claims to or against it by Lessee or any third person other than sublessees in possession of the Demised Premises, and Lessee shall defend, indemnify and hold Lessor harmless against all liabilities and loss arising from such claims or from Lessor's exercise of the rights conferred by this Article 9.

10. Assignment and Subletting. Lessee may sell, convey, transfer, assign or encumber this Lease or any interest therein without the consent of Lessor and upon the date of said sale, conveyance, transfer, assignment or encumbrance, Lessee shall be relieved of all liability hereunder. The Transferee shall assume the liability of the Lessee to the extent of the transfer. Notwithstanding anything to the contrary, Lessee's liability is limited pursuant to the terms of Article 19 hereof. At the request of the Lessee, the Lessor shall execute a "Declaration of Condominium" in accordance with N.C.G.S. §47C-2-106. The leasehold created herein or any portion thereof can be transferred, mortgaged and sublet an unlimited number of times without restrictions. However, the Lessee shall furnish to Lessor upon request reasonable documentation concerning all occupants of the Project including, inter alia, their names and addresses, and the names and addresses of any Homeowners' Association and its manager.

11. Assignment to Association. Lessee shall have the right to assign its rights hereunder to a non-profit corporation (the "Association") established by Lessee to be the Homeowners Association for the condominium project constructed on the premises, provided that the Lessee shall have first closed the sale of more than fifty percent (50%) of the condominium units to persons not controlled by the Lessee. Upon such assignment, the Association shall concurrently assume Lessee's obligations under this Lease. Upon the occurrence of such assignment, the Lessee shall automatically be released of all obligations upon this Lease; provided, however, that until such time as the Assigning Lessee has been released from all of its obligations under this Lease, the Assigning Lessee shall use its best reasonable efforts to cause the Association to perform the obligations of Lessee under this Lease.

Lessor hereby consents to the subleasing of individual condominium units without the consent of Lessor, but any such sublease shall be subject nevertheless to any restrictions promulgated by the Association and the terms of this Lease.

Lessee shall be the owner of the improvements to be construed upon the premises until expiration or earlier termination of this Lease; provided, however, Lessee shall have the right to transfer the improvements or interests therein to sublessees of condominium units and to the Association. Lessee shall not, however, at any time remove any improvements from the premises, nor waste, destroy or modify them except as provided in this Lease.

12. Right to Pledge. Lessee and each sublessee shall have the right at any time to pledge the leasehold estate or subleasehold estate respectively, by mortgage or deed of trust, from a term not to extend beyond the term of this Lease, to an established institutional lender which has advanced funds to Lessee or sublessee, respectively, pursuant to a promissory note and a deed of trust, and Lessor shall, on Lessee's or a sublessee's request, execute such written consents to any documents creating the security interest in the leasehold estate, and such other instrument not imposing upon Lessor financial obligations, contingent or otherwise, or constituting a lien upon Lessor's reversionary interest or other interest in this Lease, as may be required by the lender in connection with such encumbrance; provided, that such pledge or encumbrance shall be subject to all conditions and covenants of this Lease and to the rights of Lessor hereunder. If the owner of the indebtedness secured by the deed of trust shall become the owner or owners of this leasehold estate created by this Lease or a subleasehold estate, then such owner or owners shall become liable upon the covenants of this Lease or sublease, respectively.

13. Events of Default. If any one (1) or more of the following events ("Events of Default") shall occur:

a. If Lessee or assigns shall default in the performance of any of the terms, conditions or covenants contained in this Lease to be performed or observed by it, and the Lessee does not remedy such default within thirty (30) days after written notice thereof or, if such default cannot be remedied in such period, does not within thirty (30) days commence to undertake such act or acts as shall be necessary to remedy the default and shall not complete such act or acts within a reasonable time; or

b. Subject to the provisions of subarticle 14(d) of this Lease, if the Lessee shall become bankrupt or insolvent, or file or have filed against it in any court pursuant to any statute either of the United States or any state a petition in bankruptcy or insolvency or for reorganization, or have filed against it a petition for the appointment of a receiver or trustee for all or substantially all of the assets of the Lessee and such appointment shall not be vacated or set aside within sixty (60) days from the date of such appointment, or if the Lessee makes an assignment for the benefit of creditors or petitions for or enters into an arrangement;

then and in any such event, Lessor at any time thereafter, may terminate this Lease by giving written notice thereof to Lessee, together with a copy thereof to Lessee's Mortgagee, as hereinafter described, and this Lease shall terminate and all rights of Lessee hereunder shall cease, provided that Lessee's Mortgagee shall have rights to cure said defaults as hereinafter provided and Lessee's sublessees shall remain undisturbed if they are in good standing and agree to attorn to the Lessor.

14. Mortgaging of Leasehold Interests.

(a) Provided that Lessee is not in default under this Lease, Lessee shall have the right during the term of this Lease to encumber its leasehold interest in the Demised Premises as security for mortgage financing without the consent of Lessor. Such mortgages or deeds of trust are hereinafter separately and collectively referred to as "Mortgage", and the owners and holders thereof as "Mortgagee".

(b) Lessor hereby agrees that upon written request of either Lessor or the Mortgagee, Lessor will give to the Mortgagee a copy of all notices from Lessor to Lessee hereunder at the time of giving such notice or communication to Lessee and notice of any rejection of this Lease by any trustee in bankruptcy of Lessee.

(c) Lessor will not exercise any right, power or remedy with respect to any Event of Default or termination hereunder until the expiration of any grace period provided to Lessee with respect thereto, plus an additional period of thirty (30) days, within which period the Mortgagee shall give to Lessor written notice that either (i) such default is not susceptible of being corrected and is therefore subject to the provisions of subarticle 14(d) immediately below, or (ii) the Mortgagee intends to undertake the correction of such default or cause the same to be corrected, and the Mortgagee shall thereafter in the case of any default referred to in the preceding clause (iii) of this subarticle 14(c) prosecute diligently the correction of such default, whether by exercise on behalf of Lessee of its obligations hereunder, entry on the Demised Premises, foreclosure, sale or otherwise; provided, that nothing herein contained shall be construed to require any curative action on the part of the Mortgagee and Mortgagee's failure to cure shall not affect the validity or enforceability of Mortgagee's Mortgage on the leasehold interest of Lessee.

In connection with the right to cure herein granted, the Mortgagee may make any payment or perform any act required hereunder to be made or performed by Lessee. Such payment or performance shall have the same effect as if made or performed by Lessee and Lessee shall be released from any obligation or default which shall have been fully performed or corrected by the Mortgagee.

(d) So long as a Mortgage shall be a lien upon Lessee's interest hereunder, Lessor shall not declare the Lease forfeited, or reenter, take possession of, relet the Demised Premises, or similarly enforce performance, or terminate or take said action which would lead to the termination hereof, and this Lease shall not terminate by reason of any condition or event which is not susceptible of being corrected or eliminated by the Mortgagee (such as bankruptcy or any other insolvency proceeding), provided that, if any such condition or any event shall have occurred and be continuing, Lessee may, upon notice to Lessor, assign its interest hereunder to the Mortgagee or its nominee. The happening of any such condition or event (including, without limitation, any rejection of this Lease by Lessee or Lessee's trustee in bankruptcy, reorganization, arrangement or similar proceeding) which would, if it were not for this section, cause this Lease to terminate, shall, without any action or consent by Lessor, Lessee or the Mortgagee, effect the transfer of Lessee's interest hereunder to the Mortgagee or its nominee. The Mortgagee may, without prejudice to any rights or remedies it may have under the

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Mortgage, terminate this Lease upon such transfer by giving notice to Lessor no later than thirty (30) days after Lessor's notice of the transfer. Upon Mortgagee's termination of this Lease, Mortgagee shall have no rights or obligations under this Lease which may have accrued prior to or which may accrue subsequent to such termination.

(e) In the event (i) Lessee's interest hereunder shall be sold, assigned or otherwise transferred pursuant to the exercise of any right, power or remedy of the Mortgagee or pursuant to judicial proceedings or subarticle 14(d), (ii) no rental or other sums payable hereunder shall then be due and payable, except as may become due and payable as a result of the new lease referred to below; (iii) the Mortgagee shall have arranged for the correction of any default hereunder by new Lessee under the new lease referred to below, and (iv) this Lease shall not have been terminated by reason of default pursuant to the terms hereof, Lessor, upon receipt within thirty (30) days after the occurrence of any event referred to in clause (i) of this subarticle 14(e) of a written request therefore and upon payment by Mortgagee of all expenses incident thereto, will execute and deliver a new lease to the Mortgagee or its nominee, for the remainder of the term of the Lease, with the same terms as are contained hereunder and with equal priority hereto. Upon the execution and delivery of such new lease, Lessor, at the expense of the new Lessee, shall take such steps as shall be necessary to cancel and discharge this Lease of record and remove Lessee from the Demised Premises and cure all defaults existing under this Lease. If the Mortgagee shall become the Lessee under this Lease or a new Lease as hereinabove provided for, the Mortgagee shall notwithstanding any other provision of this Lease, have the right to transfer, sell or assign its interest in such Lease without the consent of the Lessor, provided the Mortgagee is not then in default under any of its obligations under this Lease or such new lease. Upon such transfer, sale or assignment, and provided all rental and all other sums payable hereunder and under the new lease to the date of such transfer, sale or assignment are paid by the Mortgagee, the Mortgagee shall, notwithstanding any other provision of this Lease, be released from all further liability under this Lease, or any such new lease. Upon written request therefore, and upon payment by Mortgagee of all expenses (including, without limitation, attorney's fees and expenses) incident thereto, Lessor will execute and deliver a new lease to any such transferee or assignee for the remainder of the term of this Lease or any such new lease given to such Mortgagee as hereinabove provided with the same terms as are contained in this Lease and with equal priority hereto.

(f) Lessor hereby agrees that in the event Lessee subleases any portion or all of the Demised Premises, and if this Lease is terminated for any reason other than a taking under condemnation, Lessor will recognize any sublessee of Lessee as the direct sublessee of Lessor under the terms and conditions of any such sublease, and such sublessee shall not be obligated by, or subject to, the provisions of this Lease, provided, however, that any such sublessee of Lessee is not then in default under its own lease with Lessee, and provided further that any such sublessee of Lessee shall deliver to Lessor an instruction confirming the agreement of any such sublessee to attorn to Lessor and to recognize Lessor as its Lessor under any such lease agreement, and provided further that as long as Lessor agrees not to disturb the occupancy of such sublessee under its sublease, any such subleases of all or any portion of the Demised Premises shall contain and shall be deemed to contain provisions in form and substance substantially as follows:

Lessee covenants and agrees that if by reason of any default under any underlying lease, such underlying lease and the leasehold estate of the Lessor in the premises demised hereby is terminated, Lessee will attorn to the then holder of the reversionary interest in the premises demised hereby and will recognize such holder as the Lessee's Lessor under this Lease, and Lessee hereby and herewith in consideration of the foregoing waives the provision of any statute or rule of law now or hereafter in effect which may give or purport to give Lessee any right of election to terminate this Lease or to surrender possession of the premises demised hereby in the event any proceeding is brought by the Lessor under any such underlying lease to terminate the same, and agrees that the rights and obligations of Lessee hereunder shall not be affected in any manner whatsoever by any such proceeding to terminate any underlying lease; provided that Lessee shall not be in default hereunder.

Lessor further agrees that in the event of the termination of this Lease for any reason other than a taking under condemnation, the obligations of Lessor and benefits to Lessee provided under this Article 14 will apply to and inure to the benefit of each of Lessee's sublessee and any lender or Mortgagee to which said sublessees may have pledged, assigned or encumbered their respective sublessees and the terms of this Article 14 were included in said respective subleases.

15. Eminent Domain. In the event of the taking of all of the premises or all of the improvements, this Lease shall terminate as of the date on which title vests hereunder with respect thereto. The foregoing notwithstanding, the parties hereto may, in writing, agree to continue the Lease under terms to be negotiated.

If less than all of the property and improvements shall be the subject of a taking and the parties have agreed that the improvements can be repaired, restored or replaced to an economically viable project, this Lease shall not terminate but shall continue in full force and effect for the remainder of the term subject to the provisions thereof. If, however, the remainder of the improvements, after application of Lessee's award to their repair, restoration or replacement cannot be restored to an economically viable project, then the partial taking will be treated as a full taking pursuant to this article.

In the event of any taking which results in the termination of this Lease, the total award in any such proceeding or for any such injury or reduction in value incurred in connection with such proceedings shall be apportioned in the following manner and paid in the following order:

(1) Lessor shall first be entitled to receive such portion of the award therefor as shall represent compensation for the value of the premises taken, which premises shall be considered as if vacant or unimproved land, free and clear of the terms of this Lease as of the date of the taking, reduced by such value of the premises taken multiplied by a fraction, the numerator of which is the number of calendar months remaining and the denominator of which is the total number of calendar months in the leased term plus twelve (12);

(2) Lender(s) shall be entitled to receive out of the portion of the reward that represents the value of the improvements so taken an amount equal to the principal balance unpaid on the mortgages or deeds of trust;

(3) The award remaining after the reduction of the amount determined in accordance with this subparagraph shall be paid to Lessee for appropriate distribution to sublessees.

In the event of any taking which does not result in the termination of this Lease, each party hereto shall be entitled to prosecute claims in such condemnation proceedings for the value of its respective interests. In the event of a partial taking that does not result of the termination of this Lease, Lessee shall, except as otherwise may be provided in this paragraph, apply the total amount of its award to replace, restore and rebuild the improvements and shall with due diligence following the taking, commence all work required to remedy any physical damage done by such taking to the improvements, and, thereafter, to restore the improvements with all due diligence.

In the event the parties are unable to agree as to the division as between Lessor and Lessee of any award in accordance with any of the provisions of this paragraph, then upon election of either of the parties hereto, evidenced by notice in writing given to the other party, such division shall be submitted to arbitration in accordance with the provisions of Article 36 of this Lease.

16. Indemnification. Lessee will protect, indemnify and save harmless Lessor from and against all liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses, including without limitation, attorneys' fees and expenses by reason of (i) ownership of the Demised Premises or any interest therein or receipt of any rent or other sum therefrom, (ii) any accident, injury to or death of persons or loss of or damage to property occurring on or about the Demised Premises or any part thereof or the adjoining sidewalks, curbs, vaults and vault space, if any, streets or ways, (iii) any use, nonuse or condition of the Demised Premises or any part thereof or the adjoining sidewalks, curbs, vaults and vault space, if any, streets or ways, (iv) any failure on the part of the Lessee to perform or comply with any of the terms of this Lease or (v) performance by persons other than Lessor, its agents or employees of any labor or services or the furnishing of any materials or other property in respect to the Demised Premises or any part thereof. In case any action, suit or proceeding is brought against Lessor by reason of any such occurrence, Lessee upon Lessor's request, will at Lessee's expense resist and defend such action, suit or proceeding, or cause the same to be resisted and defended by counsel designated by Lessee. Such obligation of Lessee under this section which shall have accrued at the time of any termination of this Lease shall survive any such termination.

17. Inspection. Lessor and its authorized representatives at their sole risk may enter the Demised Premises or any part thereof at all reasonable times for the purpose of inspecting the same, subject to the rights of all occupants on the Project. Lessor shall not have any duty to make any such inspection nor shall it incur any liability or obligation for not making any such inspection.

18. Construction. No construction shall be commenced by Lessee on the Demised Premises unless the following have occurred:

(a) The Lessee has procured at its expense all applicable building permits, licenses or other authorizations.

(b) Lessee shall furnish to Lessor owner's protective liability and property damage insurance insuring the Lessor (but not exclusively) for at least One Million Dollars (\$1,000,000.00) for any one accident, and One Million Dollars (\$1,000,000.00) for any injury to any one individual, and One Million Dollars (\$1,000,000.00) for damage to property.

(c) Lessee shall have delivered to Lessor satisfactory proof that worker's compensation insurance has been procured to cover all persons employed in connection with the construction.

19. Exculpation. Nothing contained in this Lease shall constitute any consent or request by Lessor, express or implied, for the performance of any labor or services or the furnishing of any materials or other property in respect to the Demised Premises or any part thereof, nor as giving Lessee any right, power or authority to contract for or permit the performance of any labor or services or the furnishing of any materials or other property in such fashion as would permit the making of any claim against Lessor in respect thereof.

Notwithstanding anything to the contrary, the liabilities of Lessor and Lessee under this Lease shall be limited to the Project and their respective interests therein by virtue of this Lease and, other than with respect to their respective interests in the project and this Lease, no other assets shall be liable for any liabilities arising out of, or in connection with, this Lease and, further, no deficiency or other judgment shall be rendered or entered against either Lessor or Lessee, it being acknowledged that the party to whom said liabilities are owed shall look solely to the Project, this Lease and the respective parties' interests therein with respect to said liabilities.

20. Repossession. Subject to the terms of paragraph 14 hereof with respect to the rights of Lessee's Mortgagee, upon the effective date of termination of this Lease pursuant to default, Lessor may enter upon and repossess the Demised Premises or any part thereof by summary proceedings, ejectment or otherwise, and may remove Lessee and other persons and any and all property therefrom, without prejudice to any remedies which might otherwise be used for breach of covenant. Lessor shall be under no liability for, or by reason of, any such entry, repossession or removal, whether by direct act of the Lessor or its assigns or through the medium of legal proceedings, for that purpose instituted.

21. Miscellaneous. If any term of this Lease or any application thereof shall be invalid or unenforceable, the remainder of this Lease and any other application of such term shall not be affected thereby. Whenever in this Lease it is provided that any document or matter is to be satisfactory to Lessor or may be required by Lessor, it shall be deemed to mean reasonably satisfactory or reasonably required, as the case may be. Any approval or consent of Lessor

required hereunder shall not be unreasonably (in an ordinary business sense) withheld. This Lease may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought. The headings in the lease are for purposes of reference only and shall not limit or define the meaning hereof. This Lease may be executed in any number of counterparts, each of which shall be an original, but all of which shall together constitute one and the same instrument.

22. Mortgages and Encumbrances on Land. Lessor shall have the right to mortgage the Demised Premises, exclusive of the improvements, subject, however, to this Lease and Mortgages authorized under this Lease (whether Lessee's Mortgages are recorded before or after Lessor's Mortgages). In the event that Lessor at anytime so places a mortgage or deed of trust on the Demised Premises, said mortgage or deed of trust shall be subject to and shall not be a lien on the Demised Premises prior to (i) this Lease or any modifications or extensions thereof or any new Lease given by Lessor pursuant to the provisions of Article 14 hereof, or (ii) any Mortgage of Lessee's leasehold interest (whether Lessor's mortgage is recorded before or after Lessee's Mortgages). Any mortgage by Lessor shall not be deemed to give said mortgagee of the Demised Premises any greater rights than Lessor hereunder or the right to cancel this Lease or any lease made to a Mortgagee, unless there is a default on the part of the Lessee, uncured by either the Lessee or the Mortgagee of Lessee's leasehold interest, which, under the terms of this Lease or such lease, would enable the Lessor or its successors to cancel this Lease and withhold from such Mortgagees a new lease.

23. Removal of Property. Lessee (if not in default hereunder) shall have the right to remove within thirty (30) days after the expiration or earlier termination of this Lease any and all trade fixtures, equipment or personal property which Lessee has placed on the Demised Premises subject to rights of all occupants of the Project, provided Lessee restores the installation thereof, normal wear and tear alone expected. All trade fixtures not so removed by Lessee shall become and remain the property of Lessor after thirty (30) days following the expiration of the Term or earlier termination of this Lease. Trade fixtures shall be defined as such furnishings which are customarily allowed to be removed by building Lessees at the expiration of building space leases.

24. Estoppel Certificate. Within ten (10) days after request therefor by Lessee, Lessor shall execute and deliver to Lessee a sworn statement in recordable form and satisfactory to Lessee and directed to any proposed mortgages, purchaser or other transferee and/or Lessee certifying any facts that are true with respect to the Demised Premises or this Lease, including without limitation (if such be the case) that this Lease is in full force and effect, that Lessee is lawfully in possession of the Demised Premises and is not in default hereunder, and that there are no defenses or offsets to the Lease claimed by Lessor.

Within ten (10) days after request therefor by Lessor or any mortgagee or trustee under a mortgage or deed of trust covering the Demised Premises, or if, upon any sale, assignment or other transfer of the Demised Premises by Lessor, an estoppel certificate shall be requested from Lessee, Lessee shall deliver a certificate in recordable form and satisfactory to Lessor and directed to the proposed mortgagee, purchaser or other transferee, and/or to Lessor, certifying any facts that are then true with respect to this Lease, including, without limitation (if

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such be the case), that this Lease is in full force and effect, that no default exists on the part of Lessor or Lessee under the Lease, that Lessee is in possession, that Lessee has paid the rent, and that there are no defenses or offsets claimed by Lessee with respect to the rent under the Lease.

Lessor's or Lessee's failure to execute, acknowledge and deliver upon request the certified statement described above within ten (10) business days from receipt of such request shall constitute acknowledgement by the party to whom the request is directed to all persons entitled to rely on the statement that his Lease is unmodified and in full force and effect and that the rental and other charges have been duly and fully paid to and including the respective due dates immediately preceding the date of the notice of request and shall constitute a waiver, with respect to all persons entitled to rely on the statement, of any defaults that may exist before the date of notice.

25. Notices. Any notice or submission required or permitted under this Lease shall be in writing and shall be deemed to be given three (3) days after being sent by prepaid registered or certified mail addressed to the parties hereto as follows:

to the Lessor: First Presbyterian Church
Attn: Business Manager
111 West Morgan Street
Raleigh, North Carolina 27601

to the Lessee: White Oak Properties, Inc.
Attn: Roland Gammon
Agent for Rene Langford, Inc.
Suite 203
21 Glenwood Avenue
Raleigh, North Carolina 27603

Any mortgagee, trustee or beneficiary under any mortgage or deed of trust on the Demised Premises and any sublessee of Lessee in the Demised Premises may by notice to the Lessor and Lessee designate an address to which notices to it hereunder shall be sent. Any such party may from time to time by notice as herein provided, designate a different address to which notices to it shall be sent.

26. Utility Easements. In order to facilitate the development and operation of the project, Lessee shall have the right to enter into agreements or require Lessor to enter into agreements establishing easements, covenants, conditions and restrictions (in this subparagraph referred to as "CC&Rs") with the owners of property adjacent to the premises, utility companies and other parties which CC&Rs shall be recorded against the premises, provided that CC&Rs are permitted by this Lease and the requirements of applicable law and the premises; and provided further that the terms of such CC&Rs, except for utility easements which have the prior written consent of the Lessor, do not exceed the term.

27. Modification of Lease Agreement. Lessor and Lessee recognize that unforeseen events or circumstances may lead to a request for modification of this Lease. Each party agrees

to consider requests by the other party for modifications to the Lease in good faith, provided, however, neither party shall be obligated to agree to any amendment which affects the term or otherwise would materially and adversely affect their respective interests under this Lease. This Lease may only be modified by a written instrument duly executed by each of the parties hereto.

28. Covenants of Title. Lessor covenants, warrants and represents (i) that it is seized of the Demised Premises in fee simple and has full right and authority to lease the same upon the terms and conditions herein set forth; (ii) that Lessee's leasehold estate to the Demised Premises is insurable with only the exceptions set forth on Exhibit B; and (iii) that Lessee shall peacefully and quietly hold and enjoy the Demised Premises safe from any claims arising by, through or under Lessor for the full term hereof so long as Lessee does not default in the performance of any of its covenants hereunder.

29. Zoning. If, during the term of this Lease, Lessee applies for consents, permits and licenses in connection with the construction or operation of the Project or deems it necessary to seek any changes in the zoning classification applicable to the Demised Premises, then Lessee shall bear the expense of procuring such consents, permits and licenses and seeking any such change or changes in zoning classification, but Lessor agrees to fully and promptly cooperate, at no out-of-pocket expense to Lessor, with Lessee in obtaining any such change or changes, and, pursuant to the provisions of North Carolina General Statutes Chapter 32A, Lessor hereby appoints Lessee as its lawfully attorney-in-fact for purposes of executing documents necessary to effect the intent and purposes hereof.

30. Recording. Lessor and Lessee agree that this Lease will be recorded in the Wake County Public Registry.

31. Nonmerger of Fee and Leasehold Estate. If both Lessor's and Lessee's estates in the Demised Premises or improvements located thereon or both become vested in the same owner, this Lease shall not be terminated by application of the doctrine of merger, except at the express written election of the owner and the consent of the mortgagee or mortgagees under all mortgages and deeds of trust on the Demised Premises.

32. Option to Renew. At the end of the term, the Lessee shall have the option to renew the Lease for additional terms by giving written notice of its election to do so stating the terms and conditions requested at least ten (10) years but not more than twenty (20) years, before the original Lease expires.

Unless otherwise agreed by the Lessor and Lessee, the term shall be up to twenty (20) years and the conditions shall be as set forth in this Lease. The rent shall be payable annually in advance at a sum equal to ten percent (10%) of the fair market value of the land (the Demised Premises) considered as unimproved and exclusive of any buildings or improvements thereon, as of the date of the expiration of the original term. If the Lessor and Lessee are unable to agree as to the fair market value of the land, the Lessor and Lessee shall each appoint an appraiser, and the two appraisers shall, in turn, select a third appraiser to determine the fair market value of the land. The Lessor and Lessee may agree to an alternative mechanism to

determine the rent and terms of any renewal option.

33. Right of First Refusal. Should the Lessor, during the lease term or any extension thereof, elect to sell all or any portion of the Demised Premises, and provided Lessee shall not then be in default in the payment or performance of any of his obligations hereunder, Lessee shall have the right of first refusal to meet any bona fide offer of sale. Lessor shall give to Lessee written notice of the terms and conditions of such offer, and Lessee shall have fifteen (15) days after the giving of such notice within which to meet such bona fide offer. In the event Lessee shall fail to meet such bona fide offer within said fifteen (15) day period, Lessor shall be free to sell the Premises to such third party in accordance with the terms and conditions of such bona fide offer and to convey title to the Premises free and clear of any further right of first refusal in favor of Lessee. No failure of Lessee to meet any bona fide offer shall, however, be deemed a termination or abridgement of this Lease, which shall in any event continue in full force and effect.

34. Brokerage Fees. Lessor and Lessee warrant to each other that no real estate broker or other person will claim a commission, fee or other compensation in connection with this Lease. Should any claim for commission be established, the parties hereby expressly agree to hold each other harmless with respect thereto (including costs of reasonable attorneys' fees) to the extent that one or the other is shown to have been responsible for the creation of such claim.

35. Transfer of Lessor's Interest. In the event of the sale, assignment or transfer by Lessor of its interest in the Demised Premises and/or in this Lease (other than a collateral assignment to secure a debt of Lessor) to a successor in interest (who must expressly assume the obligations of Lessor hereunder), Lessor shall be released or discharged from all of its covenants and obligations hereunder, except such obligations as shall have accrued prior to any such sale, assignment or transfer, and Lessee agrees to look solely to such successor in interest of Lessor for performance of such obligations. Lessee shall thereafter attorn and look solely to such assignee, as Lessor, provided Lessee has first received written notice of such assignment of Lessor's interest.

36. Arbitration. The arbitration of any matter agreed in this Lease to be submitted to arbitration shall be arbitrated as follows: Either party shall have the right to submit any dispute under this Lease to arbitration. The party demanding arbitration shall give written notice of its demand to the other party stating the subject matter of the dispute and the name and the address of the person to act as its arbitrator. Within fifteen (15) days after receipt of such notice, the receiving party shall give notice to the demanding party stating the name and address of the person to act as its arbitrator. The two arbitrators named by the parties need not be impartial. If, within thirty (30) days following the appointment of the last of the two arbitrators, they are unable to agree in respect of the matter in dispute, they shall appoint by instrument in writing a third arbitrator who is experienced in the field of the matter in dispute, and who shall proceed with the two arbitrators first appointed to decide the matter in dispute. The written decision of the third arbitrator shall be binding and conclusive on the parties hereto. If, within the time provided above, either party fails to appoint an arbitrator, or if the two appointed arbitrators fail to appoint a third arbitrator, then, upon petition to the resident judge of the Superior Court of Wake County, said judge shall appoint the arbitrators required by this paragraph. The foregoing

notwithstanding, either party may, by notice given before commencement of the arbitration hearing, consent to arbitration by the single arbitrator appointed by the other party. In that event, no further appointment of arbitrator shall be made and any other arbitrators previously appointed shall be dismissed.

Each party shall pay the person acting as its arbitrator and one-half of the fees of any third arbitrator appointed pursuant to the provisions of this section. All other costs and fees shall be determined and allocated by arbitration and, if not so allocated, shall be paid equally by each party. The arbitration shall proceed in accordance with the commercial rules of the American Arbitration Association then existing, or if there are none, then in conformity with North Carolina law relating to arbitration.

37. Gender, Singular and Plural. As used herein, the neuter gender includes the feminine and masculine, the masculine includes the feminine and neuter, and the feminine includes the masculine and neuter, and each includes a corporation, partnership or other legal entity when the context so requires. The singular number includes the plural, and vice versa, whenever the context so requires.

38. Holding Over. If Lessee remains in possession of the Demised Premises or any part thereof, after the expiration of the term of this Lease with Lessor's acquiescence and without any written agreement between the parties, Lessee shall be only a Lessee at will and there shall be no renewal of this Lease.

39. Nature and Extent of Agreement. This instrument and its exhibits contain the complete agreement of the parties regarding the terms and conditions of the Lease of the Demised Premises, and there are no oral or written conditions, terms, understandings or other agreements pertaining thereto which have not been incorporated herein. This instrument creates only the relationship of Lessor and Lessee between the parties hereto as to the Demised Premises, and nothing herein shall in any way be construed to impose upon either party hereto any obligations or restrictions not herein expressly set forth. Specifically, nothing in this Lease shall be construed to render the Lessor in any way or for any purpose a partner, joint venturer or associate in any relationship with Lessee other than that of Lessor and Lessee, and this Lease shall not be construed to authorize either Lessor or Lessee to act as agent for the other. The laws of the State of North Carolina shall govern the validity, interpretation, performance and enforcement of this Lease.

40. Binding Effect. Subject to express provisions hereof to the contrary, this Lease shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, successors and assigns during the Term hereof and during any extensions or renewals of said Term.

[NEXT PAGE IS SIGNATURE PAGE]

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IN WITNESS WHEREOF, the parties hereto have caused these presents to be duly executed and sealed all in pursuance of proper legal authority, as of the day and year first above written.

LESSOR:

FIRST PRESBYTERIAN CHURCH, RALEIGH,
NORTH CAROLINA, PRESBYTERIAN
CHURCH (U.S.A.), INC.



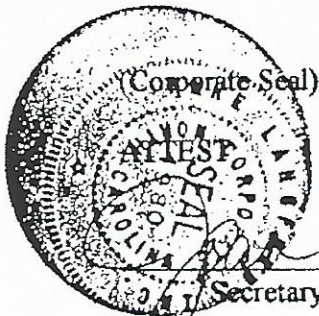
By: Leon C. Chubb Jr.
President

ATTEST:

Pamela S. Worth
Secretary

LESSEE:

RENE LANGFORD, INC., d/b/a LANGFORD
CONSTRUCTION COMPANY



By: Rene Langford
PRESIDENT

Langford
Secretary

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EXHIBIT "A"

BEGINNING at a control corner in the Southwest intersection of West Hargett Street and South Dawson Street, having North Carolina State Plane Coordinates $N(y)=738,317.494$ and $E(x)=2,105,637.53$; thence in a Westerly direction with West Hargett Street, North 87 degrees, 13 minutes, 21 seconds West, 165.29 feet to a stake; thence South 02 degrees, 15 minutes, 10 seconds West 101.33 feet to a stake; thence North 87 degrees, 59 minutes, 34 seconds West 72.82 feet to a corner of a building; thence South 02 degrees, 04 minutes, 41 seconds West 120.16 feet to a seam in a retaining wall; thence South 87 degrees, 53 minutes, 44 seconds East 237.65 feet to a stake; thence with South Dawson Street, North 02 degrees, 16 minutes, 29 seconds East 219.67 feet to the point and place of BEGINNING, containing 1.03 acres, all as shown on a survey entitled "Property of First Presbyterian Church of Raleigh", prepared by Robert T. Newcomb, III., RLS, dated June, 1986 and recorded in Book of Maps 1986, Page 1244, Wake County Registry.

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NORTH CAROLINA

WAKE COUNTY

I, a Notary Public of the County and State aforesaid, certify that Pamela G. Worth personally came before me this day and acknowledged that he is _____ Secretary of FIRST PRESBYTERIAN CHURCH RALEIGH, NORTH CAROLINA, PRESBYTERIAN CHURCH (U.S.A.), INC., a North Carolina non-profit corporation, and by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its _____ President, sealed with its corporate seal and attested to by Pamela G. Worth as its _____ Secretary.

WITNESS my hand and official stamp or seal, this 24 day of November, 1998.

Robin H. Twitty
Notary Public

7-7-2001
My Commission Expires

ROBIN H. TWITTY
NOTARY PUBLIC
WAKE COUNTY, N.C.
My Commission Expires 7-7-2001

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NORTH CAROLINA

WAKE COUNTY

I, a Notary Public of the County and State aforesaid, certify that Joan
Langford personally came before me this day and acknowledged that he is
Secretary of RENE LANGFORD, INC., d/b/a LANGFORD CONSTRUCTION
COMPANY, a North Carolina corporation, and by authority duly given and as the act of the
corporation, the foregoing instrument was signed in its name by its _____ President, sealed with
its corporate seal and attested to by Joan Langford as its _____ Secretary.

WITNESS my hand and official stamp or seal, this 1 day of December 1998.

Dawn Earley
Notary Public

6/16/2001
My Commission Expires

DAWN EARLEY
NOTARY PUBLIC
WAKE COUNTY, N.C.
My Comm. Expires 6/16/2001

NORTH CAROLINA — WAKE COUNTY

The foregoing certificate of

Robin H. Twitty
Dawn Earley

Notar(y)(ies) Public

is (are) certified to be correct. This instrument and this certificate are duly registered at the date and
time and in the book and page shown on the first page hereof.

LAURA M. RIDDICK, Register of Deeds

By Sandra A. Moore
ASST/Deputy Register of Deeds