

**GROUND LEASE
FOR
REVIVE**

THIS GROUND LEASE (this “Lease”) is effective as of the ____day of _____, 2024, by and between the **COUNTY OF DURHAM**, a North Carolina public body corporate and politic (the "County") and **500 EAST MAIN, LLC**, a North Carolina limited liability company ("Lessee").

WITNESSETH:

WHEREAS, the County is the fee simple owner of certain real property containing approximately 1.142 acres located at 128 South Elizabeth Street, Durham, North Carolina, which property is more particularly described in Exhibit A attached hereto (the “Property”);

WHEREAS, the County desires to redevelop the Property to include affordable housing and related amenities;

WHEREAS, the County, ZOM Carolinas, LLC (“ZOM”) and Laurel Street Residential, LLC (“Affordable Developer”) entered in that certain Master Development Agreement effective as of August 17, 2021 (the “Original MDA”), in connection with the redevelopment of the Property; as such Original MDA was (i) amended by that certain First Amendment to Master Development Agreement dated April 27, 2023 by the County, ZOM and Affordable Developer; (ii) assigned by ZOM to ZC Development MD, LLC (“ZC Development”) pursuant to that certain Assignment and Assumption of Master Development Agreement effective as of May 23, 2022; and (iii) amended by that certain Tri-Party Agreement **as of May 1, 2024** by the County, ZC Development and Affordable Developer (the Original MDA, together with the documents listed in (i) to (iii) above, shall collectively be referred to as the “MDA”);

WHEREAS, pursuant to the MDA, Affordable Developer intends to develop a five (5)-story structure located on the Property, which shall contain approximately one hundred ninety-five (195) affordable housing units with a variety of studio, one, two and three bedroom units made available to families earning 30%, 60% and 80% of the area median income (“AMI”) (the “Affordable Units”), as well as amenity spaces that service the residents of the Affordable Units (the “Amenities”, together with the Affordable Units, shall collectively be referred to as the “Lessee Improvements”);

WHEREAS, Lessee intends that all one hundred ninety-five (195) Affordable Units will be operated and maintained as qualified low-income housing tax credit (“LIHTC”) units under Section 42 of the Internal Revenue Code of 1986, as amended (the “Code”) for a period of not less than the compliance period and any extended-use period (as such terms are defined in the Code), and in accordance with the requirements of the North Carolina Housing Finance Agency (“NCHFA”);

WHEREAS, twenty-two (22) of the one hundred ninety-five (195) Affordable Units will be operated as Project-Based Vouchers (“PBV”) pursuant to the Housing Authority of the City of Durham’s participation in the United States Department of Housing and Urban Development (“HUD”) Rental Assistance Demonstration (“RAD”) program, and in accordance with a Rental Assistance Demonstration Use Agreement (“RAD Use Agreement”) and Housing Assistance Payment contract (“HAP Contract”);

WHEREAS, thirty-one (31) of the one hundred ninety-five (195) Affordable Units will be operated as Section 8 non-RAD PBV units in accordance with all federal statutory, regulatory (24 CFR part 983) and programmatic requirements applicable to such Section 8 non-RAD PBV units, including executive order requirements and the Housing Authority of the City of Durham’s Section 8 Administrative Plan, each as may be amended from time to time;

WHEREAS, the County has agreed to lease the Property to Lessee for the development, construction, and operation of the Lessee Improvements, pursuant to the terms and conditions of this Lease;

NOW, THEREFORE, in consideration of mutual promises made herein, the parties hereto agree as follows:

1. Lease of Land. Upon the terms and conditions set forth herein, the County hereby leases to Lessee, and Lessee hereby accepts and rents from the County, the land described in Exhibit A, together with all rights, privileges, and easements appurtenant thereto (the "Land"). The Land and all existing and future buildings and other improvements constructed thereon and all fixtures therein (the "Improvements") are collectively referred to herein as the "Premises."

2. Term. The term of the Lease (the “Term”) shall begin on _____, 2024 and end on _____, **[99 years]** unless sooner terminated in accordance with the provisions below or elsewhere in this Lease.

[These provisions were also included in the 300 East Main form ground lease, but deleted in the final version]

3. Rent. For and in consideration of the execution of this Lease by the County, Lessee agrees to pay to the County annual rent payments (the “Rent Payments”) to the County in the amount of One Hundred and No/100 Dollars (\$100.00) per year. The Rent Payments shall (i) commence on December 31 of the year in which the **Stabilization Date** (as such term is defined in under the terms of the **Amended and Restated** Operating Agreement of the Lessee (the “Operating Agreement”) and shall be payable in advance on or before January 1st of every year thereafter; (ii) be paid from **Net Cash Flow (as such term is defined in the Operating Agreement)** in the manner and priority set forth in the Operating Agreement; and (iii) increase annually by three percent (3%) of the Rent Payment for the preceding year.

4. Delivery of Premises. Upon complete execution hereof, the County shall have delivered the Land to Lessee, and Lessee shall have accepted delivery thereof.

The Land as delivered by the County to Lessee shall be in the following condition as of the date of this Lease: the removal and disposal of all debris from the demolition and all other surface and identified subsurface physical obstructions have been completed in accordance with all applicable laws. Additionally, the County hereby represents that the leasehold interest conveyed by the County to Lessee under this Lease is free and clear of all liens and encumbrances, excepted as otherwise provided in the MDA, or as otherwise set forth in the title commitment obtained by Lessee for the Land.

Except as set forth herein, the lease of the Premises hereunder is made on an “as is” basis with all faults and without representations or warranties of any kind or nature, express, implied, or otherwise, including but not limited to (i) the condition, suitability, value, marketability, or zoning of the Premises, (ii) the right to use the Premises for any particular purpose or in any particular manner, or (iii) the compliance of the Premises with applicable laws, ordinances, regulations, or orders of any governmental authority.

5. Construction. Lessee shall as soon as practicable, but in no event later than ten (10) days after closing of the financing for the Affordable Units, commence the construction of the Lessee Improvements in accordance with the plans and specifications described in the MDA. The County’s rights to approve the plans and specifications and inspect the progress of the construction of Lessee Improvements are also set forth in the MDA. After the commencement of construction of the Lessee Improvements, Lessee shall diligently pursue the construction and complete the same as soon as practicable, and the Affordable Units shall be placed in service as such term is defined and determined in accordance with Section 42 of the Internal Revenue Code no later than , 20 or on an earlier date required by the Investor Member. Lessee shall comply with the development standards set forth in Section 5.6 of the MDA in its construction of the Lessee Improvements. Except for any work to be performed by the County pursuant to the MDA or under this Lease, the County shall have no responsibility whatsoever for construction or improvements on the Premises or maintenance of same. No alterations shall be permitted except as permitted pursuant to the MDA.

All persons doing work for and/or furnishing labor or materials to the Premises on the order of or on behalf of Lessee shall look solely to Lessee’s interest in the Premises. The interest of the County shall not be subject to liens for improvements made by Lessee.

6. Use of the Premises. The Premises may be used only for the Lessee Improvements, with all one hundred ninety-five (195) Affordable Units operated in accordance with the Code, and all NCHFA and HUD (FHA, PBV and RAD) requirements. The Premises shall be used in accordance with the following:

(a) RAD Use Agreement. The Premises and all of Lessee's rights under this Lease are and shall be junior to the covenants, restrictions and other terms and conditions set forth in the RAD Use Agreement, to be executed and recorded in the office of the Register of Deeds of Durham County. The RAD Use Agreement shall be senior and superior to Lessee's interest under this Lease and other liens on the Premises, and shall be deemed covenants running with the land, binding upon Lessee, and any successors in its title.

(b) RAD Control Agreement. The Premises and all of Lessee's rights under this Lease shall be subject and subordinate to the covenants, restrictions and other terms and conditions set forth in the RAD Declaration of Restrictive Covenants (the "RAD Control Agreement"), to be executed and recorded in the office of the Register of Deeds of Durham County. The RAD Control Agreement shall be subordinated to the RAD Use Agreement, but senior and superior to Lessee's interest under this Lease and shall be deemed covenants running with the land, binding upon Lessee, and any successors in its title.

(c) FHA Regulatory Agreement. The Premises and all of Lessee's rights under this Lease shall be subject and subordinate to the covenants, restrictions and other terms and conditions set forth in the HUD Federal Housing Administration ("FHA") Regulatory Agreement for Multifamily Projects (the "FHA Regulatory Agreement"), to be executed and recorded in the office of the Register of Deeds of Durham County. The FHA Regulatory Agreement shall be subordinated to the RAD Use Agreement and RAD Control Agreement, but shall be senior and superior to Lessee's interest under this Lease and shall be deemed covenants running with the land, binding upon Lessee, and any successors in its title.

(d) Bond Regulatory Agreement. The Premises and all of Lessee's rights under this Lease shall be subject and subordinate to the covenants, restrictions and other terms and conditions set forth in the Regulatory Agreement and Declaration of Restrictive Covenants (the "Bond Regulatory Agreement"), to be executed and recorded in the office of the Register of Deeds of Durham County. The Bond Regulatory Agreement shall be subordinated to the RAD Use Agreement, the RAD Control Agreement and the FHA Regulatory Agreement, but senior and superior to Lessee's interest under this Lease and shall be deemed covenants running with the land, binding upon Lessee, and any successors in its title.

(e) Tax Credit Restrictive Covenant. The Premises and all of Lessee's rights under this Lease are and shall be subject and subordinate to the covenants, restrictions and other terms and conditions set forth in the Declaration of Land Use Restrictive Covenants for Low-Income Housing Tax Credit Units (the "Tax Credit Restrictive Covenant"), to be executed and recorded in the office of the Register of Deeds of Durham County. The Tax Credit Restrictive Covenant shall be subordinated to the RAD Use Agreement, the RAD Control Agreement, the FHA Regulatory Agreement and Bond Regulatory Agreement, but senior and superior to Lessee's interest under this Lease and shall be deemed covenants running with the land, binding upon Lessee, and any successors in its title.

(f) Other Restrictive Covenants. The Premises and all of the Lessee's rights under this Lease are and shall be subject and subordinate to the covenants, restrictions and other terms and conditions set forth in certain deed restrictions or similar instruments ("Other Restrictive Covenants") that may be required by other funding sources/lenders and approved by the County, to be executed and recorded in the office of the Register of Deeds of Durham County. The Other Restrictive Covenants shall be subordinated to the RAD Use Agreement, the RAD Control Agreement, the FHA Regulatory Agreement, the Bond

Regulatory Agreement and the Tax Credit Restrictive Covenant, but senior and superior to Lessee's interest under this Lease and shall be deemed covenants running with the land, binding upon Lessee, and any successors in its title.

(g) Compliance with Laws. Lessee shall not use the Premises or suffer, or knowingly permit the Premises to be used in violation of any applicable law, ordinance, regulation, or order of any governmental authority (including, but not limited to, zoning ordinances, building codes, environmental laws), or in any manner that will constitute a nuisance. Lessee shall make all changes to the Premises required for compliance with existing or future laws, ordinances, regulations, and orders.

At Lessee's sole cost and expense, except as otherwise expressly set forth herein, Lessee shall install, operate, and maintain in good order and repair, in accordance with all applicable laws, regulations, and requirements of any governmental authorities, agencies, and departments having jurisdiction thereof, all buildings, structures, and improvements on, in or under the Premises, including, but not limited to, all elevators, escalators, plumbing, electrical, heating, air conditioning and ventilation equipment and systems, and all other equipment, all without cost or expense to the County. In addition, Lessee shall keep and maintain the Premises and all improvements thereon in a clean and safe condition. Should Lessee fail to comply with any of its obligations set forth in this Paragraph, then the County may, at its option, undertake such compliance on behalf of Lessee after thirty (30) days prior written notice to Lessee and any sums expended by the County in undertaking such compliance shall be reimbursed by Lessee within thirty (30) days of demand therefor, and any sums not so reimbursed shall be deemed to be additional rent under this Lease.

For purposes of this Lease, the term "Hazardous Substances" shall mean any and all toxic, dangerous, or hazardous substances, chemicals, materials, waste or pollutants of any kind or nature (including, without limitation, asbestos, lead-based paint, radon, oil, gasoline, and petroleum based substances), which are regulated, governed, restricted or prohibited by any federal, state or local law, decision, statute, rule, or ordinance currently in existence or hereafter enacted or rendered. For purposes of this Lease, the term "Environmental Laws" shall mean any and all federal, state or local law, decision, statute, rule, or ordinance currently in existence or hereafter enacted or rendered pertaining to Hazardous Substances or the protection of human health and/or the environment.

(i) Except for the use, storage or disposal of Hazardous Substance by Lessee, its agents or employees in the ordinary course of Lessee's development, operation and maintenance of the Premises in compliance with all Environmental Laws, Lessee agrees that it shall not use or store in violation of any Environmental Laws, and shall not discharge, dump, or spill, or store, any Hazardous Substances on or about the Premises during the Term. If any Hazardous Substances are discharged, dumped, spilled, or otherwise released in any manner by Lessee, its agents or employees on or about the Premises, Lessee shall commence all necessary remediation work within fifteen (15) days of it obtaining knowledge of such issue. If Lessee fails to commence the remediation efforts as set forth herein, the County may elect to commence such remediation efforts. All costs of removal incurred by, all liability imposed upon, or damages suffered by, the County, shall be borne

by Lessee, which costs, liability, and damages Lessee shall pay the County within ten (10) days of receipt of a properly documented invoice from the County. If Lessee fails to reimburse County for such costs, liability, and damages as set forth above, County shall have the right, at its election, and subject to the rights of the Investor Member and Permitted Mortgagees (as such term is defined in Paragraph 19), to immediately take any appropriate legal action and to immediately terminate this Lease without waiving the County's rights to damages for Lessee's failure to perform such work. The provisions of this Paragraph to the contrary notwithstanding, the County shall not be obligated to perform such environmental remediation and shall not be liable to Lessee for not performing such work. The rights granted to the County herein shall be in furtherance, and not in limitation of any other rights the County may have pursuant to this Lease, at law, or in equity. Lessee agrees to indemnify, defend, and hold the County harmless from any loss or claim for damages occasioned as a result of Lessee's violation of the terms of this Paragraph.

(ii) The County shall have the right at any time to conduct environmental studies, tests, and inspections at the Premises to verify Lessee's compliance with this Paragraph. If the County finds evidence that Lessee is not in compliance with Environmental Laws, the County may require Lessee to promptly correct or rectify, at Lessee's expense, any failure to comply with Environmental Laws. The County shall use reasonable efforts to give Lessee (48) forty-eight hours prior written notice of the performance of such environmental studies, tests, and inspections, except that in the event of an emergency, in which case no advance notice shall be required, provided that the County shall be responsible for notifying its subtenants, if any, and the County may correct the noncompliance and all costs of such correction including all liability imposed upon, or damages suffered by, the County, shall be borne by Lessee, which costs, liability, and damages Lessee shall pay to the County within ten (10) days of receipt of an invoice from the County for the same.

7. Maintenance. Lessee shall, at its own expense, keep and maintain the Premises in good order and repair, clean, safe and in a sanitary condition and in accordance with the Code, all NCHFA, Investor Member, Permitted Mortgagees, and HUD (FHA, PBV and RAD) requirements and all applicable building codes. In the event Lessee fails to diligently commence actions to keep and maintain the Premises in accordance with the provisions of this Paragraph for a period of five (5) days after written notice from the County, the County may remedy such failure, at its option, without declaring Lessee in default, in which case Lessee shall reimburse the County within ten (10) days of receiving an invoice from the County for all costs expended by the County in remedying such failure.

8. Utilities. Lessee shall arrange and pay for, or cause to be paid for, all electricity, gas, water, sewerage, waste disposal, janitorial service and other utilities and services required in connection with the use and maintenance of the Premises. The County shall have no obligation to provide utilities to the Premises in its capacity as lessor hereunder.

9. Taxes. Lessee shall pay or cause to be paid, when and as due, all taxes and fees of every kind or nature which are now or may hereafter be imposed or assessed upon or with respect to the Premises during the Term hereof. Lessee shall have the right to contest any taxes or fees assessed against the Premises, provided that Lessee posts any security or bond that may be required

by law so that the County's interest in the Land is not subject to forfeiture. The County shall have no responsibility to pay any taxes or fees assessed against the Premises.

10. Insurance. Lessee shall maintain in force and effect all insurance required by the Investor Member, all Permitted Mortgagees and the County (as set forth in Section 9.1 of the MDA), as applicable to the Premises.

11. [Intentionally Omitted]

12. Indemnity. To the full extent permitted by law and without regard to the minimum limits of insurance required hereunder, Lessee shall defend, indemnify and hold harmless the County from and against all claims, demand, costs and expenses (including reasonable attorneys' fees) arising out of or relating to this Lease, Lessee's use or occupancy of the Premises, or any occurrence in, upon, or from the Premises. However, the foregoing indemnity shall not apply to bodily injury, death, or property damage caused by the County's negligence or willful misconduct.

13. Ownership of Improvements and Surrender. During the Term, all Improvements shall be and remain the property of Lessee. Upon the expiration or earlier termination of this Lease in accordance with the terms hereof, the Land and Improvements shall become the property of the County, and Lessee shall surrender the Land and Improvements to the County in good condition and repair, normal wear and tear and damage by fire or other casualty excepted. The County hereby agrees and acknowledges that any and all tax attributes of ownership, including without limitation, the right to claim depreciation or cost recovery deductions and amortization, as well as the right to claim the LIHTC relating to the Land and Improvements, shall be exclusively for the benefit of Lessee.

14. Entry. The County shall have the right, but not the obligation, to enter the Premises with reasonable notice to the Lessee, at all reasonable times and in a reasonable manner, for the purposes of inspection, assuring compliance under the Lease, and other lawful and justifiable purposes, subject always to the rights of residents occupying portions of the Premises under the subleases from Lessee permitted hereunder.

15. Encumbrances, Assignment and Subletting.

(a) Assignment and Subletting. Except for (i) resident subleases entered into by Lessee in the ordinary course of operating the Premises in accordance herewith, (ii) Permitted Mortgages (as defined in Paragraph 19), (iii) assignments to the mortgagee or its nominee or to a purchaser (other than Lessee) pursuant to Permitted Mortgages upon foreclosure or assignment in lieu of foreclosure; and (iv) encumbrances, subleases and assignments permitted under the MDA, Lessee shall not assign this Lease or transfer, mortgage, encumber or sublet the Premises without (A) the County's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed; and (B) any consents required under the RAD Use Agreement, the RAD Control Agreement, the FHA Regulatory Agreement, the Bond Regulatory Agreement, the Tax Credit Restrictive Covenant or Other Restrictive Covenants. The County's consent to any assignment or subletting on one occasion shall not waive the County's right to require consent on

subsequent occasions. No assignment or subletting by Lessee shall constitute a release of Lessee's obligations hereunder, and Lessee shall remain responsible for the full and faithful performance and observance of all of the covenants and conditions to be performed or observed by Lessee hereunder. If this Lease is terminated by the County on account of an Event of Default, the County agrees not to disturb any person occupying an Affordable Unit under a sublease from Lessee, if and for so long as: (a) the sublease is consistent with the terms of the RAD Use Agreement, the RAD Control Agreement, the FHA Regulatory Agreement, the Bond Regulatory Agreement, the Tax Credit Restrictive Covenant or Other Restrictive Covenants; (b) the sublease is for a term of one year or less; and (c) the subtenant attorns to the County and is not in default under the sublease beyond any applicable cure or grace period.

(b) Prohibited Transfer. Lessee agrees for itself and its successors and assigns in interest hereunder that it shall not, other than pursuant to a Permitted Mortgage or with respect to any assignment, lease, sublease or transfer that does not require the consent of the County pursuant to Paragraph 15(a) above (including an assignment to a Permitted Mortgagee or its nominee or to a purchaser, other than Lessee, pursuant to a Permitted Mortgage upon foreclosure or assignment in lieu of foreclosure): (i) assign this Lease or any of its rights under this Lease as to all or any portion of the Premises, or the equipment in the Premises; or (ii) make or permit any voluntary or involuntary total or partial sale, lease, assignment, conveyance, mortgage, pledge, encumbrance or other transfer of any or all of the Premises or the equipment in the Premises or the Improvements or the occupancy or use thereof, other than in the ordinary course of business (including but not limited to (x) any sale by execution of any judgment of any or all of Lessee's rights hereunder, or (y) any transfer by operation of law, without first obtaining the County's consent, the consent of HUD (FHA and RAD), NCHFA, the Investor Member and all Permitted Mortgagees.

16. Damage by Fire or Other Casualty. If during the Term, any of the Improvements are damaged or destroyed by fire, earthquake, act of God, or other casualty (a "Casualty"), the parties shall proceed in accordance with the applicable requirements of HUD (FHA, PBV and RAD), NCHFA, the Investor Member and Permitted Mortgagees, and the rights and obligations of all affected parties shall be governed thereby. Subject to the requirements of HUD (FHA, PBV and RAD), NCHFA, the Investor Member and Permitted Mortgagees, all property insurance proceeds payable with respect to the Improvements shall belong to and be the exclusive property of Lessee.

17. Condemnation. If during the Term, all or any part of the Premises, or any interest therein, are taken as a result of the exercise of the power of condemnation or eminent domain except by the County, including a conveyance in lieu of or in anticipation of the exercise of such power (a "Taking"), the parties shall proceed in accordance with the applicable requirements of HUD (FHA, PBV and RAD), NCHFA, the Investor Member and Permitted Mortgagees, and the rights and obligations of all affected parties shall be governed thereby. If the Taking renders the Premises unsuitable for Lessee's purposes, either the County or Lessee shall have the option to terminate this Lease by delivery of written notice to that effect to the other party within sixty (60) days after the Taking. If the Lease is not terminated as a result of the Taking, Lessee shall diligently

repair and restore the remaining Premises as nearly as possible to their condition immediately prior to the Taking. Subject to any inconsistent requirements of HUD (FHA, PBV and RAD), NCHFA, the Investor Member and Permitted Mortgagees, all damages and compensation paid by the condemning authority for the Taking shall be apportioned and applied as follows: (i) any award for the Land shall be paid and distributed to the County, as lessor; and (ii) any award for the Improvements shall be payable to Lessee, as Lessee, subject to any mandatory debt retirement.

18. [Intentionally Omitted]

19. Leasehold Mortgages.

(a) Permitted Mortgages. Subject to the County's rights under this Lease, Lessee shall have the right to incur debt secured by Lessee's interests in the Premises and by collateral assignments of Lessee's interest in this Lease, upon the following conditions:

(1) the original secured lender shall be either an Institution (as defined below) or an obligee approved by the County;

(2) all rights acquired under any such mortgage or collateral assignment shall be subject and subordinate to the covenants, conditions and restrictions set forth in this Lease, including the rights of subtenants occupying any portion of the Premises not inconsistent herewith; and

(3) all of the loan proceeds (net of ordinary loan costs) shall be used for the benefit of the Lessee Improvements.

Any leasehold mortgage or collateral assignment satisfying the foregoing requirements or expressly approved in writing by the County shall be considered a "Permitted Mortgage" from and after the date that Lessee shall have given the County written notice (i) specifying the name and address of the mortgagee or beneficiary entitled to notices hereunder (each a "Permitted Mortgagee", including their respective successors and assigns); and (ii) enclosing a copy of the applicable leasehold mortgage or collateral assignment.

As used herein, "Institution" shall mean a bank, a bank affiliate, savings and loan association, trust company, insurance company, public pension fund or retirement fund, private pension or retirement fund having a bank or trust company as trustee, or agency of (or created by) the Federal government (such as FNMA) or by a state or local government.

As used herein, the term "leasehold mortgage" shall mean and include whatever security instruments are used for that purpose in North Carolina, including deeds of trust, mortgages, security agreements, assignments of leases, and financing statements.

Notwithstanding any provisions in this Paragraph to the contrary, the County hereby acknowledges that (y) those certain documents which secure a loan by Grandbridge [***need proper name for Grandbridge***] to Lessee in the amount up to **_____ and 00/100 Dollars (\$20,435,069.00)**; (z) those certain documents which secure a loan by

the County to Lessee in the amount up to _____ and 00/100 Dollars (\$10,618,471.00) are “Permitted Mortgages.”

(b) Covenants for Benefit of Permitted Mortgages. If and for so long as one or more Permitted Mortgages remains unsatisfied of record, the County agrees for the benefit of the Permitted Mortgagee thereunder that:

(1) This Lease shall not be canceled, surrendered, or modified by joint action of the County and Lessee or by unilateral action of the County, unless in accordance with Section 21(b)(4) herein, without the prior written consent of the Permitted Mortgagees under the Permitted Mortgages, subject to the rights of the Superior Mortgagee (as that term is defined herein) to request a new lease pursuant to Section 19(b)(4) below, the exercise of which shall not require the consent of any other Permitted Mortgagee.

(2) The County shall, upon serving on Lessee a notice of default, simultaneously serve a copy of such notice on the Permitted Mortgagee under each Permitted Mortgage and on the Investor Member provided Lessee has given the County an address for such notice. Each such notice shall be served on the Permitted Mortgagee and on the Investor Member in the manner provided for notices to the parties hereunder at the most recent address provided by the Permitted Mortgagee, Investor Member or Lessee; and the Permitted Mortgagee and Investor Member shall have the same period as Lessee, plus an additional thirty (30) days, or such additional time as is reasonably necessary for a Permitted Mortgagee to cure the default if the default cannot be cured within the additional thirty (30) day period provided, in no event shall a Permitted Mortgagee be allowed more than one hundred eighty (180) additional days running from the time of service of the notice on the Permitted Mortgagee or Investor Member, as applicable, within which to remedy or cause to be remedied the defaults complained of, and the County shall accept performance by the Permitted Mortgagee or Investor Member, as applicable, as performance by Lessee.

(3) The name of the Permitted Mortgagee may be added to the standard loss payable endorsement to any insurance required or permitted hereunder.

(4) In the event of termination of this Lease by reason of an Event of Default, the County shall, within fifteen (15) days of such termination, provide written notice to each Permitted Mortgagee, which notice shall describe the basis for such termination and describe all uncured Event of Default. Upon a termination of this Lease by reason of an Event of Default, the County shall enter into a new lease for the Premises with the Permitted Mortgagee with the most superior lien or its nominee (“Superior Mortgagee”) for the remainder of the Term hereof, effective as of the date of such termination, upon the same terms and conditions contained in this Lease (except for the provisions in Paragraph 37 below, which shall not be incorporated into or made a part of any such new lease), subject only to the rights, if any, of the parties then in possession of any part of the Premises, provided:

(A) The Superior Mortgagee or its nominee shall make written request upon the County for the new lease within thirty (30) days after receipt of written notice from the County regarding termination; and the Superior Mortgagee or nominee shall execute and deliver the new lease within thirty (30) days after the County shall have delivered it.

(B) The Superior Mortgagee or its nominee shall pay to the County, at the time of execution and delivery of the new lease, any and all sums which would then be due pursuant to the new lease and any reasonable expenses, including reasonable attorneys' fees actually incurred, which the County shall have incurred by reason of such default, including the costs of negotiation, approval and recording the new lease.

(C) The Superior Mortgagee or its nominee shall perform and observe all covenants in the new lease (including, but not limited to, all covenants in Paragraph 6 of this Lease, which covenants shall become covenants of the new lease) to be performed by Lessee and shall further remedy any other conditions which Lessee was obligated to perform under the terms of this Lease except for a Lessee-Specific Default. For purposes of the foregoing, the term "Lessee-Specific Default" means any Event of Default that: (i) is not reasonably susceptible to cure by a Permitted Mortgagee, including without limitation, an Event of Default resulting from a bankruptcy proceeding or failure to deliver required financial information; (ii) by its nature relates only to, or can reasonably be performed only by Lessee; or (iii) consists of Lessee's failure to satisfy or discharge any lien, charge, or encumbrance that (a) attaches to Lessee's leasehold estate created hereunder and not the fee estate, (b) is junior to the Permitted Mortgage held by the Superior Mortgagee, and (c) this Lease prohibits.

(D) The County shall not warrant possession or condition of the Premises to a subsequent tenant or the Superior Mortgagee under the new lease.

(E) The lessee under the new lease shall have substantially the same rights, title and interest in and to the Premises as Lessee has under this Lease.

(F) Any such new lease may be terminated for failure of the new lessee to remedy or comply with any and all provisions of the new lease.

(G) The County has secured the approval of HUD (FHA and RAD), NCHFA and other parties who provide funding or subsidy to the Lessee (if such approvals are required) to enter into the new lease.

Notwithstanding anything to the contrary in this Lease: (a) if Lessee defaults as mortgagor under a Permitted Mortgage, such default shall not constitute an Event of Default hereunder except

to the extent that Lessee's acts or omissions in and of themselves, constitute an Event of Default under the express terms of this Lease; and (b) any foreclosure or assignment in lieu of foreclosure under any Permitted Mortgage, or the exercise by a Permitted Mortgagee of its other rights or remedies under the applicable Permitted Mortgage, shall not require the County's consent, violate this Lease, constitute an Event of Default, limit the County's obligations under this Lease, or entitle the County to exercise any rights or remedies under this Lease.

(c) Confirming Documentation. The County shall, upon request, execute, acknowledge and deliver to each leasehold mortgagee an agreement prepared at the sole cost and expense of Lessee, in form reasonably satisfactory to the leasehold mortgagee and to the County, by and among the County, Lessee and the leasehold mortgagee confirming the provisions of this Paragraph. Any additional reasonable costs incurred by the County in connection with the agreement, including reasonable attorneys' fees, shall be paid by Lessee or the leasehold mortgagee.

20. [Intentionally Omitted]

21. Default and Remedies.

(a) Events of Default. Each of the following shall constitute an "Event of Default" by Lessee under this Lease:

(1) Lessee fails to place the Lessee Improvements in service (as such term is defined and determined in accordance with Section 42 of the Internal Revenue Code) by _____, 20__, or on an earlier date required by the Investor Member.

(2) Lessee fails to pay any installment of Rent Payment or any other sum of money required of Lessee hereunder (other than the Rent Payments permitted to be deferred because of insufficient cash flow), and such failure continues for thirty (30) days after written notice of default from the County to Lessee and the mortgagee under any Permitted Mortgage.

(3) Lessee fails to observe or perform any of the other covenants or conditions to be observed or performed by Lessee hereunder, and such failure continues for thirty (30) days after written notice of default from the County to Lessee and the mortgagee under any Permitted Mortgage; or (ii) for ninety (90) days if the default cannot reasonably be cured within that thirty (30) day period, provided Lessee commences remedial action within that thirty (30) day period and thereafter diligently and continuously completes that action, including, in the case of a Permitted Mortgage, a one hundred eighty (180) day period for the leasehold mortgagee to obtain possession or remedy Lessee's failure.

(4) A petition is filed by or against Lessee to declare Lessee bankrupt or to impose a plan of reorganization or arrangement under any chapter of the United States Bankruptcy Code, and the petition is not dismissed within one hundred twenty (120) days.

(5) Lessee's interest in the Premises is levied upon under execution or other legal process, and such levy is not dissolved within one hundred twenty (120) days.

(6) A receiver or trustee is appointed for Lessee or Lessee's property and not removed within one hundred twenty (120) days.

(7) The Premises is not developed in accordance with this Lease and/or the MDA.

(b) Remedies. Upon the occurrence of an Event of Default, the County may, at its option, without further notice or demand, exercise any one or more of the following remedies:

(1) obtain specific performance, injunction, appointment of a receiver, or other equitable remedy,

(2) cure Lessee's default and recover from Lessee of the reasonable costs and expenses (including reasonable attorneys' fees) of doing so;

(3) recover actual damages suffered by the County as a result of Lessee's default; and

(4) terminate this Lease and Lessee's right of possession of the Premises, if and only if, the Event of Default is material and substantial, including, but not limited to, (i) a monetary default under the Lease, (ii) Lessee's bankruptcy or receivership, or (iii) failure to provide and maintain the units in accordance with the Code, and all NCHFA and HUD (FHA, PBV and RAD) requirements; (iv) any repeated or persistent failure to perform any obligation hereunder.

(5) if the Event of Default by Lessee is failure to place-in-service the Lessee Improvements by , 20 or on an earlier date required by the Investor Member, as set forth in Paragraphs 5 and 21(a)(1), the County shall provide notice of this Event of Default to Lessee and Investor Member simultaneously. The County shall not exercise any remedy permitted under this Lease for a failure to place in service the Lessee Improvements, including termination of this Lease, unless Investor Member fails to give written notice to the County within thirty (30) days of actual receipt of the County's notice of Event of Default, stating that Investor Member intends to cure Lessee's Event of Default. Investor Member shall specify its plan for cure, including its schedule for placing the Improvements in service in its notice of intent to cure. In that event that Investor Member provides such notice of intent to cure, the County shall allow the Investor Member additional time, up to and including , 20 [*four years from the place-in-service date above*], to place-in-service the Improvements in accordance with the terms and conditions of this Lease. If the Investor Member (i) fails to give written notice of intent to cure Lessee's breach of Paragraph 5 or 21(a)(1); or (ii) provides a notice

of intent to cure, but thereafter fails to place-in-service the Improvements by _____, 20__ [*same as the date above*], the County shall have an automatic right, without further demand or notice, to immediately reenter and take possession of the Lessee Improvements. The Improvements shall become property of the County and the County may seek damages including, without limitation, (a) all Rent Payments and other sums, charges, payments, costs and expenses agreed and/or required to be paid by Lessee to the County hereunder, and (b) all costs and expenses of the County in connection with the recovery of possession of the Premises, including reasonable attorneys' fees and court costs. Upon such termination, the County and Lessee shall have no further recourse against, or liability to, each other arising out of this Lease. Without limiting the generality of the foregoing, the County shall have no liability whatsoever to any individual member or manager of Lessee, nor shall any individual member or manager of Lessee have any liability to the County. Upon such termination, Lessee agrees to cooperate with the County to execute and record such documentation as the County may reasonably request for the purpose of evidencing the termination of this Lease. In furtherance of the foregoing, Lessee hereby appoints the County as its attorney-in-fact, coupled with an interest for the specific and limited purpose of executing and recording in the Office of the Register of Deeds for Durham County, North Carolina, a Memorandum terminating and canceling any and all prior Memoranda of Lease evidencing the existence of this Lease.

(c) Remedies Not Exclusive/Nonwaiver. No remedy contained in this Lease or otherwise conferred upon or reserved to either party shall be considered exclusive of any other remedy, but each remedy shall be distinct, separate and cumulative, and in addition to every other remedy provided in this Lease, the RAD Use Agreement, the RAD Control Agreement, the FHA Regulatory Agreement, the Bond Regulatory Agreement, the Tax Credit Restrictive Covenant or Other Restrictive Covenants or by applicable law. Each remedy may be exercised from time to time as often as occasion may arise, or as may be deemed expedient, and the exercise of one remedy shall not be considered an election of remedies or a waiver of the right to exercise at any time any other remedy. No delay or omission by either party in exercising any right or remedy available hereunder shall impair any such right or remedy or constitute a waiver thereof in the event of any subsequent occasion giving rise to such right or availability of remedy, whether of a similar or dissimilar nature.

22. Warranty. The County warrants and covenants to Lessee that prior to the date of this Lease: (i) the County owns the Premises in fee simple; (ii) the County has full right and authority to lease the Premises to Lessee upon the terms and conditions set forth herein; and (iii) Lessee shall peacefully and quietly hold and enjoy the Premises for the full Term hereof so long as no uncured Event of Default occurs.

23. Short Form Lease. This Lease shall be executed in recordable form, and either party may, at any time, cause an executed counterpart to be recorded in the office of the Register of Deeds for Durham County. However, the parties do not at this time intend to record the entire

Lease and instead intend to record in that office a memorandum of lease to be executed contemporaneously herewith and incorporated herein by reference.

24. Mechanics' Liens. If any mechanics' lien against the Premises or any interest therein is filed on account of labor, services, or materials furnished or allegedly furnished to or for the benefit of Lessee, Lessee shall cause the same to be discharged by bonding, payment, or otherwise within thirty (30) days thereafter. Lessee must take all measures to prevent any encumbrance against the Premises or any interest therein, including, but not limited to, obtaining the release, discharge of bonding over, at Lessee's expense, of any such lien filed on account of labor, services, or materials furnished or allegedly furnished for the benefit of Lessee.

25. Notices. Any notice or other communication given or made pursuant to this Lease shall be in writing and shall be deemed given if (i) delivered personally or by courier, (ii) sent by overnight express delivery, or (iii) mailed by registered or certified mail (return receipt requested), postage prepaid, to a party at its respective address set forth below (or at such other address as shall be specified by the party by like notice given to the other party):

If to the County: County of Durham
Office of the County Manager
200 East Main Street
2nd Floor, Old Courthouse
Durham, NC 27701
Attention: County Manager

Copy to: County of Durham
Office of the County Attorney
200 East Main Street
2nd Floor, Old Courthouse
Durham, NC 27701
Attention: County Attorney

Parker Poe Adams & Bernstein LLP
Bank of America Tower
620 South Tryon St., Suite 800
Charlotte, NC 28202
Attention: Anthony Fox & Deirdre Denechaud

If to Lessee: 500 East Main, LLC
2132 Thrift Road, Suite A
Charlotte
Attention: President

Copy to: The Banks Law Firm, P.A.
Winchester Place, Suite 110

4309 Emperor Boulevard
Research Triangle Park, NC 27703
Attention: Sherrod Banks

Housing Authority of the City of Durham
330 East Main Street
Durham, North Carolina 27701
Attention: Chief Executive Officer

If to Permitted Mortgagee:

Copy to:

If to Investor Member:

TCC 500 East Main, LLC
c/o Truist Community Capital, LLC
Mail Code GA-ATL-0243
303 Peachtree Street, N.E., Suite 2200
Atlanta, Georgia 30308
Attention: Stephen D. Smith, Senior Vice President

Copy to:

Holland & Knight LLP
10 St. James Avenue, 11th Floor
Boston, Massachusetts 02116
Attention: Jarrod Connors

All notices, demands and requests shall be in writing and sent by personal delivery with confirmation of transmittal, or by deposit with a nationally recognized overnight courier for next business day delivery, or by the United States mail (registered or certified, return receipt requested), in each case with charges and postage prepaid. The time period in which a response to any such notice, demand or request must be given shall commence to run from the date of personal delivery or rejection of personal delivery, or on next business day following any such deposit with a nationally recognized overnight courier, or deposit in the United States mail as provided above. Rejection or other refusal to accept, or the inability to deliver, any notice or other communications because of changed address of which no notice was given shall be deemed to be receipt of the notice, demand or request sent. By giving to the other party hereto at least 30 days' written notice thereof in accordance with the provisions hereof, the parties hereto shall have the right from time to time to change their respective addresses and each shall have the right to specify as its address any other address within the United States of America.

26. Force Majeure. If either party is delayed, hindered, or prevented from the performance of any act required under this Lease by reason of governmental restrictions, scarcity of labor or materials, strikes, fire, or any other reasons beyond its control, the performance of the act shall be excused for the period of delay, and the period for the performance of such act shall be extended for a period equal to the period of such delay.

27. No Merger. If the interests of both parties in the Land or the Improvements shall become vested in the same owner, this Lease shall not be terminated by the operation of the doctrine of merger and may be terminated only by written instrument executed by the surviving party or parties and with the written consent of all Permitted Mortgagees. Except upon termination of the Term or upon termination of this Lease pursuant to an express right of termination set forth herein, there shall be no merger of either this Lease or the Lessee's estate created hereunder with the fee estate of the Land or any part thereof by reason or the fact that the same person may acquire, own or hold, directly or indirectly, (a) this Lease, the Lessee's estate created here under or any interest in this Lease or Lessee's estate (including the Improvements); and (b) the fee estate in the Land or any part thereof or any interests in such fee estate (including the Improvements), unless and until all persons, including any assignee of the County having an interest in (i) this Lease or the Lessee's estate created hereunder; and (ii) the fee estate in the Land or any part thereof, shall join in a written instrument effecting such merger and shall duly record the same.

28. Fee Mortgages. Except for the Permitted Mortgages, the County agrees that it will not during the Term encumber its interest in the Premises (i) unless approved by all Permitted Mortgagees and (ii) unless there is an express subordination of that encumbrance to the interests of such holders and Lessee in the leasehold, and any purported subordination of Lessee's leasehold interest hereunder to an encumbrance on the fee interest shall be void.

29. Nature and Extent of Agreement. This instrument and the instruments incorporated herein by reference contain the complete agreement of the parties regarding the terms and conditions of the lease of the Premises. 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 as to the Premises; and nothing in this Lease shall in any way be construed to impose upon either party any obligations or restrictions not expressly set forth in this Lease or in an instrument incorporated herein by reference.

30. Holdover. If Lessee or any other person or party shall remain in possession of the Premises or any part thereof following the expiration of the Term or earlier termination of this Lease without an agreement in writing between the County and Lessee with respect thereto, the person or party remaining in possession shall be deemed to be a tenant at sufferance, and during any such holdover, the Rent Payments payable under this Lease by such tenant at sufferance shall be double the rate or rates in effect immediately prior to the expiration of the Term or earlier termination of this Lease. Additionally, Lessee shall be liable to the County for all of the County's consequential damages resulting directly or indirectly from Lessee's failure to surrender the Premises to the County in accordance with the terms of this Lease. In no event, however, shall such holding over be deemed or construed to be or constitute a renewal or extension of this Lease.

31. Severability. If any provision of this Lease or its application to any person or circumstance shall, to any extent, be deemed valid or unenforceable, the remaining provisions of this Lease, and the application of that provision to other persons or circumstances, shall not be affected.

32. Captions. The captions for each paragraph in this Lease have been inserted only as a matter of convenience and for reference, and in no way define, limit or affect the scope or intent of that paragraph.

33. Governing Law. This Lease shall be governed by and construed in accordance with the laws of the State of North Carolina applicable to contracts made and to be performed therein. The parties agree that venue for the prosecution of any state court proceedings shall be Durham County, North Carolina, and any federal court proceeding shall be the Middle District of North Carolina.

34. Successors. This Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

35. Amendments. This Lease may not be amended except by written instrument duly executed by each of the parties. Any amendment with material changes shall be subject to the prior written consent of HUD (FHA and RAD), the Investor Member and all Permitted Mortgagees.

36. Counterparts. This Lease may be executed in one or more counterparts, each of which shall be deemed to be an original and all of which shall be deemed to constitute one and the same document.

37. Investor Member's Required Provisions. Notwithstanding anything in this Lease to the contrary, but subject to Paragraph 38:

(a) The County acknowledges that the Lessee's financing of the Premises includes its receipt of an allocation of federal low income housing tax credits under Section 42 of the Code and that substantially all of the tax credits will be allocated to the Investor Members under the terms of the Operating Agreement in exchange for the Investor Member's capital contributions to the Lessee.

(b) Subject to Paragraph 21(b)(5), upon the occurrence of an Event of Default, or an event which with the passage of time, giving of notice, or both, would constitute an Event of Default under this Lease, the County shall not take any action to terminate or abrogate Lessee's interest under this Lease unless and until: (i) the County shall give written notice to the Investor Member as provided above detailing the nature of such Event of Default or event, the nature of any cure required, and any applicable cure period under this Lease; and (ii) the Investor Member of the Lessee shall have failed to cure, within not less than (30) days following the expiration of such cure period under this Lease, any Event of Default or event giving rise to an Event of Default under this Lease, or pay any amount or do any act or thing required of Lessee by the terms of this Lease. All payments made and all acts performed by such Investor Member within such cure period to cure such Event of Default shall be accepted by the County as if made by the Lessee and shall be effective to prevent a termination of the rights of the Lessee under this Lease, and shall restore the Lessee to good standing thereunder. Notwithstanding anything contained in this Lease to the contrary, the County shall not take any action to terminate or abrogate Lessee's interest

under this Lease so long as the Investor Member is proceeding in good faith to cure or eliminate the Event of Default specified in the County's written notice, including the exercise of rights to remove the managing member under the Operating Agreement for up to one hundred eighty (180) days after notice of such Event of Default is delivered to Investor Member.

(c) The County hereby approves the admission of _____, a _____, as Investor Member, and _____, a _____, as the special investor member of Lessee. The County further approves the grant by the managing member of the Lessee of a security interest in the managing member's respective interest in the Lessee pursuant to (i) the Operating Agreement; or (ii) a security interest in the managing member's interest to any lender to the Lessee.

(d) The County's consent shall not be required for the transfer of any Investor Member's interest in the Lessee, or the admission of any new investor member into the Lessee. The Investor Member's consent shall not be required for the substitution of any mortgagee as a "substitute lessee" under this Lease, or the execution of a new lease with a mortgagee pursuant to Paragraph 19(b)(4) of this Lease.

(e) The County acknowledges the right of the Investor Member under the Operating Agreement to remove the managing member and special member of Lessee and to designate a substitute managing member or special member of the Lessee in accordance with the terms of the Operating Agreement. No consent by the County shall be required to substitute the managing member or special member in the exercise of the rights of the Investor Member under the Operating Agreement.

(f) The parties hereto agree for the benefit of the Investor Member, that no amendment, modification, voluntary suspension, or other change to this Lease, except for the substitution of any mortgagee as a "substitute lessee" under this Lease, or the execution of a new lease with a mortgagee pursuant to Paragraph 19(b)(4) of this Lease, shall be made by the parties without, in each case, having received the prior written consent of the Investor Member, it being understood by the parties that the Investor Member shall be relying upon the terms and conditions of this Lease in regards to the admission of the Investor Member to the Lessee and the making of the investor member capital contributions to the Lessee under the Operating Agreement.

38. HUD (RAD) Required Provisions. Notwithstanding any other clause or provision of this Lease (including Paragraph 37 above), upon recording of the RAD Use Agreement and so long as the RAD Use Agreement is in effect, the following provisions shall apply:

(a) This Lease shall in all respects be subordinated to the RAD Use Agreement. Subordination continues in effect with respect to any future amendment, extension, renewal, or any other modification of the RAD Use Agreement or this Lease.

(b) If any of the provisions of this Lease (including Paragraph 37 above) conflicts with the terms of the RAD Use Agreement, the provisions of the RAD Use Agreement shall control.

(c) The provisions in this Paragraph 38 are required to be inserted into this Lease by HUD and may not be amended without HUD's prior written approval.

(d) Violation of the RAD Use Agreement constitutes a default of this Lease.

(e) Notwithstanding any other contract, document or other arrangement, upon termination of this Lease, title to the Land shall remain vested in the County and title to the Improvements that belong to Lessee shall vest in the County.

(f) Neither the Lessee nor any of its members shall have any authority to: (i) take any action in violation of the RAD Use Agreement; or (ii) fail to renew the HAP Contract upon such terms and conditions applicable at the time of renewal when offered for renewal by HUD.

(g) Except to the extent permitted by the HAP Contract or RAD Use Agreement and the normal operation of the Premises, neither the Lessee nor any members shall have any authority without the consent of the County to sell, transfer, convey, assign, mortgage, pledge, sublease or otherwise dispose of, at any time, the Premises as identified in the RAD Use Agreement or any part thereof.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have caused this Lease to be executed as of the day and year first above written.

THE COUNTY:

COUNTY OF DURHAM, a North Carolina public body
corporate and politic

By: _____

Name: Kimberly J. Sowell

Title: County Manager

LESSEE:

500 EAST MAIN, LLC,
a North Carolina limited liability company

By: LSR 500 East Main, LLC,
a North Carolina limited liability company
its managing member

By: LSR Manager, LLC,
a North Carolina limited liability company
its managing member

By: _____

Name: Lee M. Cochran

Title: Vice President

EXHIBIT A

DESCRIPTION OF PROPERTY

EXHIBIT B

LEASE ADDENDUM – MULTIFAMILY