

FORSYTH COUNTY
BOARD OF COMMISSIONERS

REVISED
ITEM

MEETING DATE: MARCH 11, 2013 AGENDA ITEM NUMBER: 5

SUBJECT: RESOLUTION AUTHORIZING EXECUTION OF AN EXTENSION OF THE LEASE AGREEMENT WITH COVINGTON-WILSON, INCORPORATED FOR SPACE FOR THE REYNOLDA MANOR BRANCH LIBRARY (FORSYTH COUNTY PUBLIC LIBRARY)

COUNTY MANAGER'S RECOMMENDATION OR COMMENTS:

Recommend Tabling Matter Pending Budget Deliberations

SUMMARY OF INFORMATION:

See attached

ATTACHMENTS: YES NO

SIGNATURE: *J. Dudley Watts Jr. / cdh* DATE: March 6, 2013
COUNTY MANAGER

**RESOLUTION AUTHORIZING EXECUTION OF
AN EXTENSION OF THE LEASE AGREEMENT WITH
COVINGTON-WILSON, INCORPORATED
FOR SPACE FOR THE REYNOLDA MANOR BRANCH LIBRARY
(FORSYTH COUNTY PUBLIC LIBRARY)**

WHEREAS, Forsyth County entered into the attached Lease Agreement with Covington-Wilson, Incorporated on May 1, 2008 for the lease of space for the Reynolda Manor Branch Library, which lease expired on February 28, 2013, and Covington-Wilson, Incorporated is willing to execute an amendment to the Lease Agreement, which will extend the lease term by four additional years, until February 28, 2017; and

WHEREAS, a four-year extension of the Lease Agreement is recommended by the Library Director and the duly appointed Library Board;

NOW, THEREFORE, BE IT RESOLVED by the Forsyth County Board of Commissioners that pursuant to the authority provided by N.C.G.S. 153A-158, 153A-165, 153A-263 and other applicable laws, and upon the recommendations of the Library Director and the duly appointed Library Board, the Chairman or County Manager and Clerk to the Board are hereby authorized to execute, on behalf of Forsyth County, the attached Amendment to Lease Agreement between Forsyth County, as Tenant, and Covington-Wilson, Incorporated, as Landlord, for the lease of 17,680 square feet of space located at 2839 Fairlawn Drive, Winston-Salem, N. C. for the Reynolda Manor Branch Library to extend its term by four years, beginning March 1, 2013 at a monthly rate of \$10,977.75, with annual Consumer Price Index increases between 3% and 5%, and the County's pro rata share of any increases in insurance and property taxes, and ending February 28, 2017, subject to a pre-audit certificate thereon by the County Chief Financial Officer, where applicable, and approval as to form and legality by the County Attorney. The original contract is incorporated herein by reference.

Adopted this the 11th day of March 2013.

STATE OF NORTH CAROLINA
COUNTY OF FORSYTH

FIRST AMENDMENT TO LEASE

THIS AMENDMENT TO LEASE is made and entered into as of the 22 day of January, 2013, by and between COVINGTON-WILSON INC. ("Landlord") and FORSYTH COUNTY ("Tenant").

WITNESSETH:

WHEREAS, Tenant and Landlord entered into that certain lease dated May 1, 2008 (the "Lease"), whereby Landlord leased to Tenant approximately 17,680 square feet of Rentable Space in the building located at 2839 Fairlawn Dr., Winston-Salem, North Carolina (the "Premises"); and

WHEREAS, Landlord and Tenant desire to modify the terms and conditions of the Lease and evidence their agreements and other matters by means of this Amendment.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, the Lease is hereby amended and the parties hereto do hereby agree as follows:

1. The term is hereby extended for four (4) years (the "Extended Term"). The new Termination Date shall be February 28, 2017.

EXCEPT as expressly amended and modified herein, the Lease shall otherwise remain in full force and effect, the parties hereby ratifying and confirming the same. To the extent of any inconsistency between the Lease and this Amendment the terms of this Amendment shall control.

SIGNATURE PAGE FOLLOWS

IN WITNESS WHEREOF, the parties have caused this Amendment to Lease to be executed in multiple originals effective the date first hereinabove set out.

LANDLORD:

COVINGTON-WILSON INC.

By: 

Name: Kenneth W. Schwenke

Title: President

TENANT:

FORSYTH COUNTY

By: _____

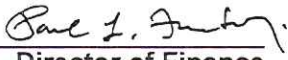
Name: J. Dudley Watts, Jr.

Title: County Manager

This instrument has been preaudited in the manner required by the Local Government Budget and Fiscal Control Act.

2/21/2013

Date


Director of Finance

STATE OF NORTH CAROLINA)
)
COUNTY OF FORSYTH)

LEASE AGREEMENT

THIS LEASE, made this 1st day of May, 2008, between COVINGTON-WILSON, INCORPORATED, A North Carolina Corporation having its principal office in Forsyth County, North Carolina, hereinafter called the "LANDLORD", and Forsyth County, a political subdivision of the State of North Carolina hereinafter called the "TENANT".

WITNESSETH:

That for and in consideration of the rent reserved and of the mutual covenants and agreements herein contained, the LANDLORD does hereby demise and lease unto the TENANT the premises consisting of 17,680 square feet located in the City of Winston-Salem, County of Forsyth, State of North Carolina, at 2839 Fairlawn Drive, Winston-Salem, N.C. hereinafter called the "demised premises" indicated as set forth in Exhibit "A" attached hereto, said demised premises being located in the Reynolda Manor Shopping Center in the City of Winston-Salem, North Carolina (hereinafter called the "entire premises"), and being further identified in Exhibit "A".

TO HAVE AND TO HOLD the said demised premises unto the TENANT for a term of Four (4) years Ten months beginning May 1, 2008 and ending February 28, 2013 conditioned, however, upon full compliance with all the terms and conditions hereinafter set forth.

Article 1. The fixed rent for each year or portion thereof during which period this Lease shall be in effect shall be as follows:

The base fixed rent during the first year (year one) of this Lease shall be at an annual rate of \$116,400.00 payable in advance in equal monthly installments of \$9,700.00. Each monthly installment shall be paid by the TENANT to the LANDLORD by the first day of the month for which such installment shall be applicable.

Additional rent. Commencing one year following the original Lease start date and thereafter, payable throughout the balance of the Term, TENANT shall pay annually to LANDLORD, in addition to the Base Rent, an additional rent calculated as follows: Additional Rent for any Fiscal Year shall equal the sum of money which shall be the amount, in excess of Base Rent, of the product determined by multiplying the Base Rent by a fraction, the numerator of which is the Cost of Living Index at the end of the Fiscal Year immediately preceding the Fiscal Year for which the additional rent is to be paid and the denominator of which is the Cost of Living Index in effect on the Commencement Date of this Lease. In no event shall the Cost of Living Index increase be less than 3% or greater than 5% per year. (Re: U.S. Department of Labor Bureau of Labor Statistics, Consumer Price Index for all Urban Consumers, U.S. City Average, 1982 - 84 = 100)

The fixed rent for each year or portion thereof during which this Lease Agreement shall be in effect shall be payable in advance in equal monthly installments. Each monthly installment shall be paid by the TENANT to the LANDLORD by the first (1st) day of the month for which such installment shall be applicable.

Article 2. Upon the expiration or other termination of the term of this Lease, TENANT shall quit and surrender to the LANDLORD the demised premises broom clean and in good order and condition (ordinary wear and tear excepted), and TENANT shall remove all of its property. In the event that TENANT holds over after expiration of the term herein set forth without written consent of the LANDLORD, it shall be deemed a tenant from month to month under the same terms, covenants and conditions herein contained, or the LANDLORD may take such steps as may be necessary to remove the TENANT from the demised premises.

Article 3. The TENANT shall use and occupy the demised premises solely and for the operation of a Forsyth County Library for all ages and activities related to a Public Library Program but neither the whole or any part of the demised premises shall be used or occupied as or in conjunction with a store commonly known as a department store, junior department store, drugstore (having a registered pharmacist on duty during the hours in which sales are made), discount operation or supermarket, restaurant, or for any other purpose other than that stipulated in this Article, without the prior written consent

of the LANDLORD; and the TENANT shall indemnify the LANDLORD and save it harmless against any claims or demand arising out of a breach of this covenant, it being represented to the TENANT that the LANDLORD has entered into a like covenant with some of the other tenants. The rights of use of the premises granted the TENANT are not exclusive.

Article 4. The TENANT agrees not to assign, mortgage, pledge or encumber this Lease without first obtaining the written consent of the LANDLORD. The TENANT hereby is given the right to sublet the demised premises or any part thereof with the prior written consent of the LANDLORD, but notwithstanding such subletting, the TENANT shall continue to remain liable for and guarantee the performance of the terms, conditions and covenants of this Lease.

Article 5. If the demised premises shall be damaged or destroyed by fire or by any other hazard coverable by fire insurance with what is commonly referred to as extended coverage, or if not in excess of twenty percent (20%) of the demised premises shall be damaged or destroyed by any hazard not coverable by fire insurance with extended coverage, the LANDLORD will proceed with due diligence to repair or restore the same to the same condition as existed before such damage or destruction.

If in excess of twenty percent (20%) of the demised premises shall be damaged or destroyed by any hazard not coverable by fire insurance with extended coverage, either the LANDLORD or the TENANT shall have the option to cancel this Lease by giving written notice of such cancellation to the other within thirty (30) days after the happening of such damage or destruction, but if neither the LANDLORD nor the TENANT shall exercise such option, the LANDLORD, at its own expense, will proceed with due diligence to repair or restore the same to the same condition as existed before such damage or destruction.

Rent shall be abated pro rata in proportion to the decrease of the usefulness of the demised premises to the TENANT so long as the demised premises are untenable, in whole or in part, for the use specified in Article 3 hereof by reason of repair or replacement thereof in accordance with the foregoing provisions of this Article 5.

Article 6. The LANDLORD agrees that it will keep the demised premises set forth in Exhibit "A" herewith insured against the loss of damage by fire with extended coverage to the full, fair, insurable value thereof. The TENANT shall have no liability for any loss or damage to the demised premises covered by the insurance which the LANDLORD is required by this Article to keep in effect, even if such loss or damage be caused by the negligence or misconduct of the TENANT, its agents, servants or invitees.

The TENANT agrees that it will keep its inventory of merchandise, trade fixtures, equipment and other property of the TENANT located in or on the demised premises insured against loss or damage by fire with extended coverage to the full, fair, insurable value thereof, and it is further agreed that the LANDLORD shall have no liability for any loss or damage for the inventory of merchandise, trade fixtures, equipment and other property of the TENANT located in or on the demised premises insured against loss or damage by fire with extended coverage.

In the event of any increase in the rate of fire insurance with extended coverage and/or liability coverage over the rate existing as of the date of the commencement of this lease, whether or not resulting from any act or neglect of the TENANT, its agents, servants or invitees, or the nature of the business conducted in or on the demised premises, the TENANT on demand, shall pay to the LANDLORD as additional rent a sum equal to any increase in the cost of such insurance caused by said act, neglect, nature of business or for any increase in insurance costs, pro-rated, per square foot of space occupied.

It is further mutually agreed that in the event of damage or destruction of the premises by fire, LANDLORD shall not hold TENANT responsible for such damage or destruction, and TENANT shall not hold LANDLORD responsible for such damage or destruction.

LANDLORD and TENANT both recognize that the TENANT is self insured. TENANT agrees to provide for equally adequate coverage to insure LANDLORD from such loss due to damage or liability.

Article 7. In the event the entire demised premises shall be appropriated or taken under the power of eminent domain by any public or quasi-public authority, this Lease shall terminate and expire as of date of such taking and the TENANT shall thereupon be released from any further liability hereunder.

In the event part of the demised premises or more than ten (10%) percent of the entire premises shall be appropriated or taken under the power of eminent domain by any public or quasi-public authority, the TENANT shall have the right to cancel and terminate this Lease as of the date of such taking upon giving to the LANDLORD notice in writing of such election within thirty (30) days after the receipt by the TENANT from the LANDLORD of written notice that said premises have been so appropriated or taken. In the event of such cancellation, the TENANT shall thereupon be released from any further liability under this Lease. The LANDLORD agrees immediately after any appropriation or taking to give to the TENANT notice in writing thereof.

If this Lease is terminated in either manner herein provided, the rent for the last month of the TENANT'S occupancy shall be pro-rated and the LANDLORD agrees to refund to the TENANT any rent paid in advance.

If this Lease shall not be terminated, as in this Article provided, but shall continue as to that portion of the demised premises which shall not have been appropriated or taken, then in that event the LANDLORD, at its own expense, agrees to proceed with due diligence to restore the building on the demised premises remaining to a complete unit of like quality and character as existed prior to such appropriation or taking and the fixed rent shall be abated pro rata in proportion to the decrease of the usefulness of the demised premises to the TENANT as long as the premises are untenable, in whole or in part, for the use specified in Article 3 hereof by reason of such restoration, and thereafter the fixed rent shall be reduced in the ratio that the ground floor area of the part of the building taken is included within the demised premises bears to the ground floor area of the building which was included within the demised premises before such taking.

Article 8. The LANDLORD, at its own expense agrees to provide to the demised premises the utility requirements (connections for sewer, water, gas and electricity) of the TENANT in its use of the demised premises as specified in Article 3 hereof. The TENANT shall pay when due all bills for water and sewerage, gas, electricity, telephone and other public utilities used on or charged against the demised premises during the term of this Lease, including any charges for the same occasioned by the use of the demised premises by the TENANT before the commencement of the term of this Lease.

Article 9. This Lease is subject and subordinate to all ground or underlying leases and to all mortgages and deeds of trust which may now or hereafter affect such leases or the real property of which the demised premises form a part and to all renewals, modifications, consolidations, replacements and extensions hereof. This Article shall be self operative and no further instrument of subordination shall be required to effect the rights of any mortgage or cestui que trust. In confirmation of such subordination, the TENANT shall execute promptly any certificate that the LANDLORD may require. The TENANT hereby constitutes and appoints LANDLORD, the TENANT'S attorney in fact, to execute any such certificate or certificates for and on behalf of the TENANT.

Article 10. TENANT shall not permit a nuisance to exist upon the demised premises, and TENANT hereby saves LANDLORD harmless from any and all acts committed or permitted by the TENANT upon the premises resulting from the creation of a nuisance or other use of the premises prohibited by law.

Article 11. If, as the result of any act or neglect of the TENANT, its agents, servants or invitees, or the unusual nature of the use and occupancy of the demised premises by the TENANT, any Federal, State or municipal government or any department or division thereof has hereafter shall condemn the demised premises or any part thereof as unsafe or as not in conformity with the laws, regulations or orders relating to the use, occupancy and construction thereof, or has ordered or required shall hereafter order or require any rebuilding, alteration or repair thereof or installation therein, the TENANT at its own expense, will proceed with due diligence to comply with such law, regulations or orders and no abatement of rent shall be effective.

The LANDLORD agrees, except as herein otherwise provided in this Article 11, that if any Federal, State or municipal government or any department or division thereof has or hereafter shall condemn the demised premises or any part thereof as unsafe or as not in conformity with the laws, regulations or orders relating to the use, occupancy and construction thereof, or has ordered or required or shall hereafter order or require any rebuilding, alteration or repair thereof or installations therein, the LANDLORD at its own expense, will proceed with due diligence to rebuild or make such alterations, installations, and repairs as may be necessary to comply with such laws, regulations, or orders. If by reason of such law, regulations, or orders or the work done by the LANDLORD in connection therewith, the TENANT is deprived of the use of the

demised premises, rent shall be abated pro rata in proportion to the decrease of the usefulness of the demised premises to the TENANT as long as the premises are untenable in whole or part for the use specified in Article 3 hereof by reason of such deprivation.

Article 12. The LANDLORD, at its own expense, shall maintain and keep in good repair the roof, exterior and supporting walls and make all structural repairs which may be necessary, whether to the interior or to the exterior of the demised premises, during the term of this Lease except where such maintenance or repairs shall be required by the negligence or misconduct of the TENANT, its servants, or invitees. It is expressly understood that in the event such maintenance or repairs shall be required by the negligence or misconduct of the TENANT, its agents, servants or invitees, LANDLORD may, at its option, designate the person, firm or corporation to effect such maintenance or repairs and charge the cost thereof to TENANT, with the understanding that all repairs for less than \$500,000 are subject to compliance with applicable informal bidding laws and with understanding that all repairs for 500,000 or more are subject to compliance with applicable formal bidding laws.

The LANDLORD at its own expense, shall make other repairs and replacements to the demised premises, including but not limited to, the maintenance and replacement of the plumbing, heating and air conditioning systems and electrical wiring and equipment, which may be necessary during the term hereof. The TENANT, at its own expense, shall keep in repair and shall maintain in good condition all hardware affixed to the demised premises, all interior painting and decorations of every kind and all door and window attachments, and shall replace all broken or damaged glass, including window and door glass and plate glass, except where such maintenance or repairs shall be required by the negligence or misconduct of the LANDLORD, its officers, agents, employees or invitees.

The LANDLORD agrees to replace the carpet in the entrance lobby based on an allowance of \$18.00 (maximum) per yard installed as selected by the TENANT. The LANDLORD agrees to paint the entrance signage and structure for same with color selected by TENANT.

Article 13. TENANT, at its own expense, shall have the right to make such repairs, improvements, changes and alterations in and to the demised premises as it shall deem necessary or desirable in its use and occupancy of the demised premises for the purposes specified in Article 3 hereto; provided, however, that the TENANT shall not without prior written consent of the LANDLORD alter the store front of the architectural design of the premises or make any structural alterations to the demised premises, or make any repairs, improvements, changes or alterations which might result in excessive use or overload the mechanical facilities, such as plumbing, heating, electrical wiring and air conditioning. The TENANT, at its own expense, shall have the right at any time to remove all or any part of any shelving, trade fixtures and other equipment not permanently attached or installed in the demised premises or any of the building systems; but the TENANT, at its own expense, shall repair any and all damage to the demised premises occasioned by the removal of such items.

Article 14. The TENANT agrees that all signs to be erected or to be placed on the exterior of the demised premises by the TENANT shall be subject to the approval of the LANDLORD and the LANDLORD agrees not to unreasonably withhold its approval so long as said sign is in general conformity as to size and location with other signs on the buildings located on the entire premises.

Article 15. The TENANT shall not allow its officers, agents, employees or invitees to go upon the roof of the demised premises except for maintenance of equipment. TENANT will save the LANDLORD harmless from any and all damage to the roof of the demised premises that may be occasioned by the entry upon the roof of the demised premises by TENANT'S officers, agents, employees or invitees. It is expressly understood by TENANT that the entry of TENANT'S officers, agents, employees or invitees upon the roof or the placing of any object upon the roof of the demised premises by any of TENANT'S officers, agents, employees or invitees may result in costly repairs thereto, and TENANT hereby agrees to pay for said repairs that may be occasioned by the entry of any such authorized person or the placing of any object upon the roof of the demised premises by the TENANT, its officers, agents, employees or contractors.

Article 16. The LANDLORD shall pay all ad valorem taxes and assessments levied by public authority on the demised premises.

The TENANT shall pay all taxes and assessments levied by public authority on its inventory of merchandise, trade fixtures, equipment, improvements, and other property of the TENANT located in or on the demised premises, and all other taxes occasioned by its use of the demised premises.

If in any year the aggregate City-County property tax payable with respect to the said demised premises as determined in the first taxable year (2008), increases, the monthly rent for September of such year shall be increased by the pro rata amount such increase of real estate taxes based on the square footage of the buildings in the shopping center. It is the purpose of this provision to impose upon TENANT the cost of any future property tax increases which amounts shall be payable in each year in September (or if unknown in September, at the next month when known).

Article 17. The service entrance and loading area to the rear of the demised premises shown on Exhibit "A" attached hereto shall be kept free from any and all obstructions, and the vehicular use of said area shall be confined to the actual loading and unloading of supplies, goods and merchandise required by TENANT in occupation and use of the demised premises for the purposes specified in Article 3 hereof.

Article 18. All trash and garbage originating from the demised premises shall be deposited only in proper containers provided by the TENANT at locations to be approved by the LANDLORD.

Article 19. The sidewalk, walkway or other area in front of the demised premises shall at all times be kept free and clear from any and all obstructions of every kind, nature and sort.

Article 20. TENANT shall maintain a commercial general liability insurance policy, and any other insurance required by the LANDLORD, from an insurance carrier satisfactory to LANDLORD and properly endorsed so as to accrue to the benefit of the LANDLORD that will save LANDLORD and TENANT harmless. The amount of liability insurance coverage shall be no less than \$1,000,000.00 for personal injury and \$500,000.00 for property damage. LANDLORD and TENANT both recognize that the TENANT is self insured. TENANT agrees to provide for equally adequate coverage to insure LANDLORD from such loss due to damage or liability.

Article 21. The LANDLORD agrees to maintain adequately throughout the term hereof all of the "common facilities" specified in Exhibit "A" attached hereto in good and useful condition. LANDLORD further agrees that it shall keep the customer parking area properly lighted by electricity at all hours reasonably required by the TENANT in its use and occupancy of the demised premises for the purpose specified in Article 3 hereof.

Article 22. The LANDLORD shall have the right to enter in and upon said demised premises at all reasonable times for the purpose of (a) examination and inspection thereof, (b) making repairs, replacements, alterations or additions to said demised premises, and (c) exhibiting the demised premises to prospective tenants and purchasers.

Article 23. No radio or television antennae shall be erected on the roof or exterior walls of the building, or on the sidewalks, service drives, streets and parking area without in each instance the written consent of the LANDLORD. Any antennae so installed without such written consent shall be subject to removal without notice at any time.

Article 24. The TENANT agrees that it will not permit the lien of any contractor, subcontractor, mechanic, laborer or materialman to be and remain a lien upon the demised premises or upon the right, title or interest of the TENANT created by this Lease, after the indebtedness secured by such lien shall have become due unless the same is in the process of being actually contested in good faith on the part of the TENANT and that in any event the TENANT will protect, indemnify and save harmless the LANDLORD from and in respect of any and all such liens.

Article 25. The LANDLORD covenants that it owns the demised premises and the entire premises in fee simple, free and clear of all encumbrances, whatsoever, except as set forth in Exhibit "A" hereof and except for the instruments to which this Lease is subordinate under the terms of Article 9 above; that it has the right to enter into this Lease; that it will fully perform all of its obligations hereunder; and that the TENANT shall have the peaceful possession and quiet enjoyment of the demised premises for the term hereof and any extension thereof.

Article 26. The TENANT agrees to deliver to the LANDLORD physical possession of the demised premises upon the termination of this Lease broom clean and in as good condition as the premises are at the commencement of the term of this Lease, ordinary wear and tear excepted. At the option of the LANDLORD, upon termination of

this Lease by TENANT, TENANT shall restore the premises to the original condition as of the beginning of this Agreement on May 1, 2008.

Article 27. It is mutually agreed that the filing by, on behalf of or against the TENANT of any petition or pleading to declare the TENANT a bankrupt, voluntary or involuntary, under any bankruptcy law or act, or the commencement in any court or tribunal of any proceeding, voluntary or involuntary, to declare the TENANT insolvent or unable to pay its debt, or the appointment by any court or under the law of a receiver, trustee or other custodian of the property, assets or business of the TENANT or the assignment by the TENANT of all or any part of its property or assets for the benefit of creditors, or the levy of execution, attachment or other taking of property, assets or the leasehold interest of the TENANT by process of law or otherwise in satisfaction of any judgment, debt or claim, shall constitute a breach of this Lease and at the option of the LANDLORD operate as a forfeiture and termination of this Lease immediately and without prior notice and without prejudice to the LANDLORD'S right to prosecute any other remedy which it may have for a breach of this Lease, including a claim against the TENANT for rent due for the residue of this Lease.

It is mutually agreed that this Lease may be terminated by the LANDLORD for nonpayment of monthly rent or percentage rent at any time after the expiration of twenty (20) days following written notice to the TENANT of nonpayment of the whole or any part of the rent past due, and such termination shall not prejudice the LANDLORD'S right to prosecute any other remedy which it may have for a breach of this Lease, including a claim against the TENANT for rent due for the residue of this Lease.

The breach of any other covenant of this Lease, except as otherwise provided in this Article shall give the aggrieved party the right to terminate and cancel this Lease at any time after the expiration of thirty (30) days from written notice to the party in default, if the party in default has not remedied the said default within the said thirty (30) days, or if the party in default has not commenced such act or acts as shall be necessary to remedy the default and shall complete such act or acts promptly and within a reasonable time.

Should LANDLORD elect to terminate this Lease and take possession of the premises because of a breach of this Lease by TENANT, pursuant to legal proceedings or pursuant to any notice provided by law, it may relet said premises or any part thereof for such term and at such rental and upon such other terms and conditions as LANDLORD in its sole discretion may deem advisable; upon such reletting all rentals received by the LANDLORD from such reletting shall be applied, to the payment of rent due and unpaid by TENANT hereunder. If such rentals received from such reletting be less than that to be paid by TENANT hereunder, TENANT shall pay any such deficiency to LANDLORD during the balance of the TENANT'S Term under the original Lease. Should LANDLORD at any time terminate this Lease for any breach, in addition to any other remedies it may incur by reason of such breach, including the cost of recovering the leased premises, reasonable attorney's fees may be recovered if awarded by a Court of competent jurisdiction.

Article 28. The LANDLORD agrees to pay all fees and commissions it has incurred or contracted for in bringing about the execution and delivery of this Lease and agrees to indemnify and save the TENANT harmless from any and all claims for such fees and commissions.

The TENANT agrees to pay all fees and commissions it has incurred or contracted for in bringing about the execution and delivery of this Lease and agrees to indemnify and save the LANDLORD harmless from any and all claims for such fees and commissions.

Article 29. Wherever in this Lease it shall be required or permitted that notice or demand be given or served by either party to this Lease to or on the other, such notices or demands shall be given or served and shall not be deemed to have been duly given or served unless in writing and forwarded by certified mail addressed as follows:

TO THE LANDLORD: P.O. Box 5235
Winston-Salem, NC 27113

TO THE TENANT: Forsyth County Manager
Forsyth County Government Center
201 N. Chestnut Street
Winston-Salem, NC 27101

Such address may be changed from time to time by either party by service of notices as above provided.

Article 30. The LANDLORD and the TENANT agree that all the provisions hereof shall bind and inure to the benefit of the parties hereto, and their respective heirs, legal representatives, successors and assigns. The provisions of the foregoing sentence shall not be construed as granting to the TENANT the right to assign any of its rights under this agreement without the prior written approval of the LANDLORD.

Article 31. The parties hereto agree to execute a short form of lease for purposes of recordation and of setting forth in writing the date of delivery and the commencement of the lease term. In such short form lease this Lease is referred to as the "Lease Agreement".

Article 32. The captions in the margin of this Lease are for convenience only and are not part of this Lease and do not in any way limit or amplify the terms or provisions of this Lease.

Article 33. The TENANT acknowledges that he has examined the premises to be occupied and accepts the physical condition of the premises as is at the time this Lease is executed except as noted in Article 12.

Article 34. The LANDLORD and the TENANT agree that if any alcoholic beverages are sold or dispensed at the demised premises, the TENANT will purchase and keep in force throughout the term of this Lease and any extensions thereof "Dram Shop" liability insurance in the amounts and conditions as set forth in Article 20 of this Lease Agreement.

Article 35. If the TENANT does not extend the original lease term or any renewal period or continues occupancy as a "holdover" under Article 2 hereof, the TENANT will be required to furnish the LANDLORD six (6) months written notice that the TENANT will not extend the lease term or further occupy the demised premises. If the TENANT does not give this notice to the LANDLORD, the TENANT agrees herewith that the lease or renewal term shall be extended until such time as a six (6) months written notice had been given or a suitable tenant has been found to occupy the premises and further agrees to continue the payment of monthly, annual percentage rents, taxes and any other charges set forth in this Lease Agreement during the six months notice period.

Article 36. The TENANT agrees that it will repair and maintain, to the satisfaction of the LANDLORD and in conformity with all applicable governmental codes and requirements, any improvements, changes or alterations made by the TENANT to the interior or exterior of the demised premises. The TENANT also agrees that it will annually list with the taxing authorities the value of any improvements made by the TENANT to the demised premises and pay all ad valorem taxes that are assessed on the TENANT'S improvements.

Article 37. The TENANT agrees that it will comply with all rules, regulations and environmental requirements as issued and set forth by local, state, federal or other regulators pertaining to the operations of the TENANT'S business. The TENANT further agrees to hold the LANDLORD harmless from any damages or liability, from any source, relating to the operation of the TENANT'S business.

SIGNATURES ON NEXT PAGE

IN WITNESS WHEREOF, the LANDLORD and the TENANT have duly executed this Lease Agreement in duplicate originals and affixed their respective seals hereto on the day and year first above written.

LANDLORD

COVINGTON-WILSON, INCORPORATED

BY *[Signature]*
President

ATTEST:

[Signature]
Secretary

TENANT

FORSYTH COUNTY

BY *[Signature]*
5-30-08

ATTEST:

[Signature]
Secretary Clerk to the Board



This instrument has been presaudited in the manner required by the Local Government Budget and Fiscal Control Act.

5/28/08
Date *[Signature]* Director of Finance

Approved as to form and legality

MAY 28 2008

FORSYTH COUNTY, N.C.

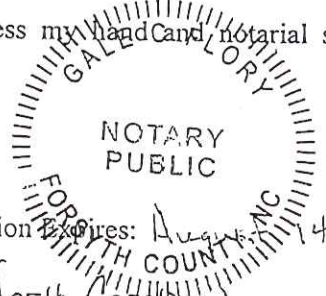
By *[Signature]*
Assistant County Attorney

STATE OF NORTH CAROLINA)
COUNTY OF FORSYTH)

LANDLORD'S ACKNOWLEDGMENT

This 22nd day of May, 2008, personally came before me, Gale C Flory, a Notary Public, Waldo W Coe who, being by me duly sworn, says that he knows the Corporate Seal of Covington-Wilson, Incorporated and is acquainted with Clay V Ring Jr who is the President of said Corporation, and that he, the said Waldo W Coe, is the Secretary of the said Corporation, and saw the said President sign the foregoing instrument, and saw the said Corporate Seal of said Corporation affixed to said instrument by said President, and that he, the said Waldo W Coe, signed his name in attestation of the execution of said instrument in the presence of said President of said Corporation.

Witness my hand and notarial seal, this 22nd day of May, 2008.



Gale C Flory
Notary Public

My Commission Expires: August 14, 2011

STATE OF North Carolina
COUNTY OF Forsyth

TENANT'S ACKNOWLEDGEMENT - INDIVIDUAL

I, Kim M. Hepler, A Notary Public of said State and County, do hereby certify that J. Dudley Watts, Jr. personally appeared before me this day and acknowledged the due execution of the foregoing instrument.

Witness my hand and notarial seal, this 30th day of May, 2008.

Kim M. Hepler
Notary Public

My Commission Expires: October 24, 2009



NORTH CAROLINA
FORSYTH COUNTY

I, Kim M. Hepler, a Notary Public of the County and State aforesaid, certify that Carla D. Holt personally came before me this day and acknowledged that she is Clerk to the Board of the County of Forsyth and that by authority duly given and as the act of the County, the foregoing instrument was signed in its name by its County Manager, J. Dudley Watts, Jr., sealed with its seal and attested by her as its Clerk. Witness my hand and official stamp or seal, this 30th day of May, 2008.

Kim M. Hepler
Notary Public

My Commission Expires: October 24, 2009

