

PROPERTY MANAGEMENT AGREEMENT

Property: 700 East Morehead Street
Charlotte, North Carolina

Owner: 7 EM LLC, Morehead Beachfront LLC,
And Morehead LKN LLC.

Manager: Harris Development Group, LLC

Date: JUNE 5, 2017

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I	
<u>APPOINTMENT OF MANAGER</u>	1
1.1 <u>MANAGER’S REPRESENTATIONS</u>	1
1.2 <u>APPOINTMENT OF MANAGER</u>	1
ARTICLE II	
<u>TERM</u>	1
2.1 <u>TERM</u>	1
2.2 <u>EARLY TERMINATION</u>	1
2.3 <u>DUTIES UPON TERMINATION</u>	2
ARTICLE III	
<u>COMPENSATION</u>	3
ARTICLE IV	
<u>DUTIES AND RESPONSIBILITIES</u>	3
4.1 <u>GENERAL RESPONSIBILITIES OF MANAGER</u>	3
4.2 <u>SPECIFIC DUTIES AND RESPONSIBILITIES OF MANAGER</u>	3
a) <u>Collection of Moneys</u>	3
b) <u>Books, Records and Documentation</u>	3
c) <u>Audit</u>	4
d) <u>Repairs and Maintenance</u>	4
e) <u>Repairs and Capital Expenditures</u>	5
f) <u>Service Contracts and Equipment Leases</u>	5
g) <u>Supplies and Inventory</u>	5
h) <u>Insurance</u>	6
i) <u>Taxes and Assessments</u>	7
j) <u>Compliance with Legal Requirements</u>	7
k) <u>Employment of Personnel</u>	7
ARTICLE V	
<u>EXPENSES OF OWNER</u>	9
ARTICLE VI	
<u>EXPENSES OF MANAGER</u>	10
ARTICLE VII	
<u>BANK ACCOUNTS</u>	10
7.1 <u>ESTABLISHMENT OF ACCOUNTS</u>	10
7.2 <u>TRANSFER OF FUNDS: REPORTS</u>	11
7.3 <u>FUNDS PROVIDED BY OWNER</u>	11
7.3 <u>PROHIBITED USE OF FUNDS</u>	11

ARTICLE VIII	
<u>ANNUAL BUDGETS</u>	11
8.1 <u>SUBMISSION OF BUDGETS</u>	11
8.2 <u>APPROVAL OF BUDGETS</u>	11
ARTICLE IX	
<u>GENERAL PROVISIONS</u>	11
9.1 <u>RELATIONSHIP</u>	11
9.2 <u>ASSIGNMENT</u>	12
9.3 <u>BENEFITS AND OBLIGATIONS</u>	12
9.4 <u>INDEMNIFICATIONS</u>	12
9.5 <u>NOTICES</u>	13
9.6 <u>ENTIRE AGREEMENT</u>	14
9.7 <u>SEVERABILITY</u>	14
9.8 <u>APPLICABLE LAW</u>	14
9.9 <u>MANAGER</u>	14
Exhibit A	
Management and Operating Agreement Compensation.....	i

MANAGEMENT AGREEMENT

THIS AGREEMENT made this _____ day of _____, 2017, by and between 7 EM LLC, Morehead Beachfront LLC, and Morehead LKN, LLC (“Owner”) and Harris Development Group, LLC, a North Carolina (“Manager”),

STATEMENT OF PURPOSE

Owner heretofore owns certain improved real property and the improvements thereupon located at 700 East Morehead Street, Charlotte, NC, which real property and improvements are referred to herein as the “Property”. Manager shall provide management services to Owner with respect to the Property. This Agreement is made to govern the terms and conditions pursuant to which Manager shall operate the Property and provide services to Owner.

NOW, THEREFORE, IN CONSIDERATION of the promises and covenants herein contained and other good and valuable consideration, the receipt of which is hereby acknowledged, Owner and Manager agree as follows:

ARTICLE I

APPOINTMENT OF MANAGER

- 1.1 MANAGER’S REPRESENTATIONS. Manager hereby represents and warrants that (i) it is an experienced manager of commercial office buildings and that Manager possesses the knowledge and experience to perform all services customarily furnished by managers for comparable properties in Mecklenburg and the surrounding counties, and reasonably required for the care, protection, maintenance and operation of the Property; and (ii) that Manager will manage the Property for Owner with fidelity and as Owner’s fiduciary, subject to the terms hereof.
- 1.2 APPOINTMENT OF MANAGER. In reliance on such representations and warranties, and in consideration of the provisions of this Agreement, Owner hereby appoints Manager and Manager hereby accepts appointment on the terms and conditions set forth below as Owner’s exclusive property manager to operate and supervise the Property.

ARTICLE II

TERM

2.1 TERM. The term of this Agreement shall commence on the 1st day of October, 2017, and shall continue for three (3) years, and thereafter on a month to month basis, subject to early termination as herein provided.

2.1 EARLY TERMINATION. Notwithstanding the provisions of Section 2.1 above to the contrary but subject to the provisions of Section 2.3 below, this Agreement and the obligations of the parties hereunder shall cease, upon the occurrence of any of the following:

- a) If the Property is sold or if all or any substantial part of the Property is condemned or destroyed by fire or other casualty, then either party may cancel on thirty (30) days notice to the other party;
- b) Involuntary proceedings under any bankruptcy laws or insolvency law or for the dissolution of either party are instituted against such party, or a receiver or trustee is appointed for all or substantially all of such party's property, and the proceeding is not dismissed or the receivership or trusteeship is not vacated within thirty (30) days after institution or appointment; or
- c) If either party fails to comply, after notice and an opportunity to cure, with any rule, order, determination, ordinance or law of any federal, state, county, or municipal authority, the other party, at its sole option, may terminate this agreement upon thirty (30) days written notice to such party unless such party is in good faith contesting same; or
- d) If either party defaults in the performance of any of its obligations hereunder and such default continues for thirty (30) days after written notice to the defaulting party specifying such default, the party not in default may terminate this Agreement upon thirty (30) days written notice to the defaulting party; provided, however, no notice shall be required if the reason for Manager's termination by Owner is Manager's breach of its fiduciary obligations to Owner.

2.3 DUTIES UPON TERMINATION. Upon termination of this Agreement for any reason:

- a) Manager shall have no further right to act on behalf of Owner or to disburse any of Owner's funds; and
- b) Manager will immediately deliver to Owner all keys, Books, Records, and Documents (as herein defined) maintained by it pursuant to this Agreement, including, without limitation the Books, Records, Documents and other data identified in Section 4.2 (b) below, and do all that is reasonably necessary to facilitate the orderly transition of management of the Property, and, in connection therewith, will cooperate fully with Owner and any successor manager to transition the management of the Property to Owner of any successor manager, including, without limitation, allowing Owner or any successor manager to shadow Manager for a period of time if requested by Owner to allow Owner or a successor manager to become familiar with the Property and its operation; and
- c) Manager shall render to an accounting of all funds of Owner held by Manager relating to the Property and shall immediately cause such funds to be paid to Owner; and
- d) Manager shall perform all reporting and accounting functions hereunder for the period from the date of the last report or accounting to the date of termination.

ARTICLE III

COMPENSATION

The compensation of Manager for its services hereunder shall be fixed and paid as provided in Exhibit A attached hereto and incorporated herein by this reference. Management fees shall be paid in monthly installments at the beginning of each month based upon prior months gross income and shall be deductible from the General Account as part of the operating expenses of the Property. In the event of commencement or termination of this Agreement other than on the first or last day of a month, respectively, the compensation of Manager shall be prorated to the effective date of such commencement or termination.

ARTICLE IV
DUTIES AND RESPONSIBILITIES

4.1 GENERAL RESPONSIBILITIES OF MANAGER. Subject to the provisions hereof, Manager is hereby authorized to manage, operate and maintain the Property, and agrees to do so diligently, efficiently, and in a trustworthy and professional manner so as to maximize the earnings of the Property and its underlying value and to provide such services at the Property as are consistent with the management, operation and maintenance of a first class shopping center of the type located on the Property.

4.2 SPECIFIC DUTIES AND RESPONSIBILITIES OF MANAGER. Without limiting the general responsibilities of Manager, including the duty to act in a fiduciary capacity for the benefit of Owner, Manager agrees and is hereby granted authority to do the following:

- a) Collection of Moneys. Manager shall collect all rent and other charges due from tenants, and all other revenues due in connection with operation of the Property and deposit the same in a bank account maintained by Manager as provided for by Article VII hereof. Owner authorizes Manager to request, demand, collect, receive, and receipt for all such rent, other charges, and revenues, and to institute legal proceedings in the name of Manager for the collection thereof and for the lawful dispossession of tenants, guests, and other persons from the Property, provided, however: (i) Counsel shall not be used for actions taken in small claims court or similar administrative proceedings which Manager's non-legal staff should be capable of handling in Owner's reasonable judgment; and (ii) Manager shall not be reimbursed for expenses of Manager, including counsel fees and collections costs, with respect to any particular proceeding, when such expenses exceed \$5,000 unless Manager shall have obtained Owner's prior written approval to incur such expenses.
- b) Books, Records and Documentation. Manager shall maintain at its principal office complete and separate books, records and documents relating to the management and operation of the Property, including without limitation all electronically stored data, contracts, original leases, amendments, extensions and agreements relating to contracts and leases, files, correspondence with tenants and prospective tenants, computations of rental adjustments, maintenance and preventative maintenance programs, schedules and

logs, Tenant finish and construction records, inventories of personal property and equipment, correspondence with vendors, job descriptions and manning charts, correspondence with federal, state, county, and municipal authorities, brochures, and accounts held or maintained by Manager (all such books, records, electronically stored data and documents being referred to herein as "Books, Records and Documents"). Books and Records of account shall be prepared in conformity with generally accepted accounting principles applied consistently from year to year at Manager's sole expense. Owner shall have the right to examine, audit and take originals and copies of said Books, Records and Documents at Manager's principal office at reasonable times, including normal business hours. Manager shall render to Owner, on or before the 20th date of each month, such financial and management information -- including without limitation profit and loss statements, balance sheet, statement of change in financial position, and reports as to the status of the Security Deposit Account and construction account, if any. Monthly accounting reports shall be in a format approved by Owner. Manager shall also, at the request of Owner, furnish such further accounting and fiscal information in a manner sufficient to respond to Owner's financial information requirements. Manager shall keep on a permanent basis all bank statements, canceled checks and deposits slips for all banking activities during its management of the Property. Wherever requested by Owner, Manager shall furnish Owner a copy of all canceled checks, deposits and bank account statements for all banking activities relating to its management of the Property.

- c) Audit. At any point upon the request of Owner, and upon the termination of this Agreement, Manager shall have an audit of the books, records and results of operations of the Property made by a firm of certified public accountants designated by Owner. Manager shall pay the cost of the audit if the audit reveals that the gross income of the Property as reported by Manager exceeds or is less than the actual gross income of the Property as determined by the audit by Twenty-Five Thousand Dollars (\$25,000) or more. The responsible party shall promptly pay any amount owing to the other party as a result of the audit.
- d) Repairs and Maintenance. Manager agrees to keep the Property in a first class condition, to regularly inspect same, to take every reasonable precaution against fire,

vandalism, burglary and trespass on the Property, and to make all necessary repairs. Manager shall make no expenditures in excess of \$25,000 for repairs, without the prior written consent of Owner, whether or not such expenditure for such repairs has been approved by the annual budget, except as to any emergency repairs to the Property immediately necessary for the preservation safety of the Property or for the safety of other persons or which are required to avoid suspension of necessary services to the Property. In the event of emergency repairs, Manager agrees to make every reasonable effort to obtain Owner's prior approval and shall advise Owner of Manager's actions as soon as possible thereafter.

e) Repairs and Capital Expenditures.

- i) Manager shall make no expenditures in excess of \$25,000 for alterations, capital improvements, renovations or replacements of furniture, fixtures or equipment, whether or not such expenditure is contained in the annual budget, without the prior approval of Owner.
- ii) Manager shall make no disposition of fixed assets with an original value in excess of \$25,000 without the prior written approval of Owner. The Manager shall inform Owner of all dispositions of fixed assets no later than the monthly accounting report due immediately following the date each such disposition has been made.

- f) Service Contracts and Equipment Leases. Manager is authorized to make and enter into for the account of Owner all such contracts and equipment leases as are required in the ordinary course of business for the operation, maintenance, and service of the Property and to pay the same when due; provided however, Manager shall be required to obtain the prior written consent of Owner before entering into any contract or equipment lease for the account of Owner in which (i) the term exceeds one (1) year or (ii) the total amount payable thereunder exceeds \$25,000.00. Manager shall use its best efforts to secure all possible rebates, discounts, and other benefits to be derived from every contract, all of which shall accrue to Owner's benefit. Notwithstanding the foregoing or anything else contained herein, Manager shall not enter into service contracts or equipment leases with any individuals or entities affiliated with or otherwise under the

control of Manager. Any and all contracts or leases entered into pursuant to this subsection shall be freely cancelable for any reason or no reason at all.

g) Supplies and Inventory.

- i) Manager shall purchase such supplies and expendable items as are necessary to operate the Property. When taking bids or issuing purchase orders, Manager shall use its best efforts to secure for Owner's benefit any discounts, commissions, or rebates obtainable in connection with such purchases.
- ii) Manager shall conduct a physical inventory of the personal property, materials, and equipment used in connection with the Property at the commencement, and termination of the Agreement and as of the end of each fiscal year, and shall submit a tabulation and listing of the inventory to Owner within thirty (30) days after commencement and after the end of each fiscal year and at the termination of this Agreement.

h) Insurance.

- i) When specifically requested in writing by Owner, Manager shall cause to be placed and kept in force property damage insurance covering the Property. All insurance coverage shall be placed with such companies and in such amounts as shall be acceptable to Owner and otherwise shall be in conformity with the requirements of any mortgage of the Property as given in notice by Owner. All such policies of insurance shall name Owner, Manager, and such other parties as may be required by any mortgage of the Property as the named insureds thereunder, as their respective interests may appear.
- ii) Manager, at its expense which is reimbursable, shall obtain and keep in force Commercial General Liability insurance relating to its activities and those of its employees or agents with respect to the Property and its operation. Such insurance shall be with companies reasonably acceptable to Owner.
- iii) Manager shall not knowingly permit the use of the Property for any illegal purpose or for any purpose which might void any policy of insurance relating to

the Property, increase the premium otherwise payable or render any loss thereunder uncollectible.

- iv) Manager shall promptly investigate and report to Owner and insurance company involved all accidents and claims for property damage and/or personal injury (including death) relating to any activities upon the Property and the ownership, operation, and maintenance of the Property and any damage or destruction to the Property. Manager is authorized to settle on Owner's behalf and all property damage claims not in excess of \$25,000, which includes authority for execution of proof of loss, the adjustment of losses, signing of receipts, and the collection of money. Manager shall not settle any claim without first obtaining a general written release and covenant not to sue in form approved in advance by Owner. If the claim is greater than \$25,000, Manager shall act only with the prior written approval of Owner.
- v) Manager shall cause to be placed and kept in force Worker's Compensation Insurance as required by law, including broad form all states coverage and Employer's Liability of at least \$500,000, and Manager shall furnish Owner certificates of same. All employees of Manager shall be covered at the expense of Manager.
- i) Taxes and Assessments. Manager shall timely pay all taxes, impositions, or assessments relating to the ownership or operation of the Property, when due (including without limitation improvement assessments, real estate taxes, personal property taxes, taxes on income or rentals, or any charges similar to or in lieu of any of the foregoing) after providing copies of all bills and invoices relating to such taxes to Owner, unless directed in writing not to do so by Owner. When requested by Owner, Manager shall verify bills for real estate, personal property or other taxes, improvement assessments, and other similar charges which are or may become liens against the Property or which may be levied on the basis of ownership or operation of the Property. When requested by Owner, Manager shall render advice and assistance to Owner in the negotiation and prosecution of all claims for the reduction or equalization of property tax assessments and other tax assessments affecting the estate, personal property, and

other taxes and all assessments affecting the Property. Manager shall timely file all personal property tax returns after execution of such returns by Owner.

- j) Compliance with Legal Requirements. Manager shall take such actions as may be necessary to comply with any and all laws, orders, or requirements affecting the use or operation of the Property by any federal, state, county, or municipal agency or authority, including, but not limited to, all Fair Housing Laws and Amendments and the administration of all Affirmative Action Programs required because of Owner's status as a government contractor, provided that if the estimated cost of compliance in any instance exceeds \$25,000, Manager shall not expend funds for compliance without Owner's prior written consent. Manager shall promptly notify Owner in writing of all such orders, notices or requirements requiring expenditure of non-budgeted amounts. Manager shall prepare, execute, and, after obtaining, the written approval of Owner, thereby file any reports and documents required by any applicable governmental authority. Manager covenants and agrees to obtain and maintain all licenses and permits necessary for the conduct of its business as manager of the Property.

k) Employment of Personnel.

- i) Manager will hire, train, supervise, direct the work of, pay, and discharge all personnel necessary for operation of the Property. Such personnel shall in every instance be employees of Manager and not of Owner. Owner shall have no right to supervise or direct such employees. Manager will not discriminate against any employees or applicant for employment in violation of any applicable law. The terms "employees" or "personnel" shall be deemed to mean and include employment of a casual, temporary, or part-time nature.
- ii) The salaries, wages, other compensation and fringe benefits (including without limitation social security, taxes, worker's compensation insurance, and the like), and travel, entertainment and other expenses shall be non-reimbursable expenses of Manager with respect to the following persons working on or in respect of the Property:

- a) Executive Personnel and employees of Manager charged with general administration of Manager's performance of this Agreement, and with the general supervision, direction, and control of personnel listed hereinafter in this section.
- b) An Asset Manager for the Property who shall be experienced in the administration and operation of an asset of the size, character, and quality of the Property and who shall devote such time to the on site supervision of the Property to permit its operation on a basis comparable to other such properties.
- c) Bookkeepers and Accountants.
- d) Record-keeping Personnel.
- e) Additional secretarial and clerical staff.
- f) Purchasing personnel.
- g) All other personnel excepting only personnel who perform all their services on site at the Property unless sharing with other properties managed by the Manager are expressly approved in writing by Owner.
- h) All overhead and indirect expenses of Manager's home office and regional offices, including without limitation the payroll and other costs of the Manager's employees whose primary places of employment are such offices, shall be non-reimbursable expenses of Manager.

ARTICLE V

EXPENSES OF OWNER

Except as otherwise provided in this Agreement, all obligations of Owner and shall be for its account. All reasonable expenses incurred by Manager in performance of its obligations under this Agreement which are described as reimbursable shall be reimbursed by Owner. Such expenses and

reimbursable shall be paid with funds drawn from the General Account in accordance with Article VII hereof.

ARTICLE VI

EXPENSES OF MANAGER

Manager agrees to pay all salaries, wages and other compensation and fringe benefits of all personnel described in Paragraph 4.2 (k)(ii) of this Agreement as an expense of Manager without reimbursement by Owner. Manager shall pay other expenses which are expressly (a) payable by Manager or (b) not reimbursable hereunder, including without limitation the cost of any computer accounting and outside accounting services provided in Paragraph 4.2 (b) and the cost of the Commercial General Liability insurance provided in Paragraph 4.2(h). Manager shall also pay (without reimbursement) any costs of provided office facilities and supplies for such personnel and other expenses incurred in performance of duties and obligations required by this Agreement.

ARTICLE VII

BANK ACCOUNTS

7.1 ESTABLISHMENT OF ACCOUNTS. Manager shall establish (or use Owner's existing accounts) the following bank or money fund accounts (as designated by Owner) in Owner's name in banks or other institutions approved or selected by Owner by notice to Manager:

- a) A "Depository Account" which shall be used for the deposit of all funds received from the operation of the Property, unless Owner agrees in writing that the General Account (as hereinafter described) shall be used for such purpose.
- b) A "General Account" the funds of which shall be used to pay the normal and reasonable expenses incident to the operation and maintenance of the Property pursuant to this Agreement and as requested by Owner, including without limitation, payment of Manager's compensation and leasing commissions, insurance premiums and ad valorem taxes on real or personal property of the Owner provided for hereunder, unless otherwise directed by Owner. However, unless specifically requested in writing by Owner, the General Account shall not

be used to pay principal, interest and other debt service payments on any mortgage debt incurred by Owner that encumbers the Property.

No account shall contain any funds other than money collected from, or intended for use in connection with operation of the Property, and Manager shall not commingle any of its own funds or any funds held by it for the account of anyone else with the funds of Owner. All funds deposited in any account are the property of Owner and are and shall be held in trust for Owner by Manager. The accounts shall be subject to the control of both Manager and Owner, either of whom may draw checks thereon. Manager may also maintain a petty cash fund from money in the General Account and make payments therefrom in a manner consistent with the prudent business practices when dealing in a fiduciary capacity, with such funds. Such petty cash fund shall be subject to the same rules and restrictions set forth above as are applicable to the bank accounts. Owner reserves the right to restrict or eliminate the petty cash fund if, in its sole opinion, the use thereof is being abused.

7.2 TRANSFER OF FUNDS REPORTS. Manager shall regularly wire transfer funds from the Depository Account into the General Account in sums sufficient to cover the Budgeted Expenses of the Property. Due to Owner's requirements to pay debt service, from the Depository Account, the timing and amounts of such monthly transfers shall require the prior approval of Owner, which shall not be unreasonably withheld for delayed.

7.3 FUNDS PROVIDED BY OWNER. If the funds collected by Manager from operation of the Property are not sufficient to pay the expenses incurred and authorized to be paid in operation of the Property and to make all reimbursements to Manager pursuant hereto, Manager shall submit to Owner a statement showing such shortfall and identifying the bills and charges requiring payment and Owner shall immediately advance funds sufficient to pay same to the General Account; provided that such bills and charges are in the annual budget. If any such bills or charges are not included in the annual budget, then Owner shall not be required to advance funds for any bills or charges that Owner reasonably disputes.

7.3 PROHIBITED USE OF FUNDS. Manager may not use any funds of Owner for rebates, kickbacks, bribes or for any other unlawful purposes, nor shall any funds of

Owner by contributed to any political party, committee or campaign of any candidate for public office.

ARTICLE VIII

ANNUAL BUDGETS

8.1 **SUBMISSION OF BUDGETS.** At least (60) days prior to the beginning of each fiscal year, Manger shall prepare and submit to Owner for Owner's approval proposed budgets of (a) the estimated income and expenses of the Property and (b) the estimated capital expenditures for the Property for the next fiscal year or other operating period as may be agreed by the parties. Each line item on said budget shall be compared with the actual costs incurred for the immediately preceding fiscal year ended and the percentage difference, if any, in each such comparison. The proposed budgets will be broken down by month, will be made assuming cash basis accounting, and will provide a detailed rationale for the numbers used in such budgets.

8.2 **APPROVAL OF BUDGETS.** Owner must approve the proposed budgets prior to such proposed budgets being adopted for the operating period in question. Manager may not operate within the proposed budgets until such budget is approved by Owner. Manager shall eliminate or revise any item or amount in the budgets which is disapproved by Owner to the extent necessary to obtain Owner's approval. In the event that any proposed budget is not approved by Owner, Owner and Manger shall operate under the last budget approved by Owner.

ARTICLE IX
GENERAL PROVISIONS.

- 9.1 RELATIONSHIP. Manager and Owner shall not be construed as joint ventures or general partners, and neither shall have the power to bind or obligate the other party except as set forth in this Agreement. Manager understands and agrees that it has entered into a relationship with Owner of trust and confidence which shall be that of independent contractor, and that it will not represent to anyone that its relationship to Owner is other than that of independent contractor.
- 9.2 ASSIGNMENT. This Agreement may be assigned by Owner. This Agreement is not assignable in whole or in part by Manager unless agreed to in writing by Owner, nor may Manager subcontract in whole or in any part any of its duties or responsibilities hereunder and any attempted assignment or subcontract shall be void; provided, however, the foregoing shall not preclude Manager from entering into service contracts and equipment leases in accordance with Paragraph 4.2 (f).
- 9.3 BENEFITS AND OBLIGATIONS. Subject to the provisions of Section 9.2 above, the covenants and agreements herein contained shall inure to the benefit of, and be binding upon, the parties hereto and their respective heirs, executors, successors, and assigns.
- 9.4 INDEMNIFICATIONS.
- a) So long as Manager is not in default hereunder, Owner agrees to indemnify, defend and hold harmless Manager from claims, actions or proceedings by any third parties, when Manager is carrying out the provisions of this Agreement, from any loss, cost, liability, or expense (including without limitation reasonable attorneys fees) incurred in defense of any claim, action or proceeding:
 - i) which arises as a result of any act of negligence or willful misconduct on the part of Owner, its employees or agents (other than Manager, its agents, employees and service contract vendors and equipment lessors engaged in accordance with Paragraph 4.2(f)).

ii) which is maintained against Manager due to the condition or use of the Property or due to violations or breaches of any law, regulation, requirement or contract pertaining to the Property (other than conditions or uses created by, or violations or breaches of law or this Agreement by, Manager, its agents, employees and service contract vendors and equipment lessors engaged in accordance with Paragraph 4.2(f)).

Manager shall promptly notify Owner in writing of any such claim, action or proceeding which may give rise to liability under this section and shall cooperate fully in connection with owner's defense negotiation or settlement thereof. As used in this Section 9.4(a), the term "third parties" does not include employees or agents of Manager or, service contract vendors or equipment lessors engaged in accordance with Paragraph 4.2(f).

Notwithstanding the foregoing, Owner shall not be required to indemnify, defend or hold Manager harmless against any loss, cost, liability or expense which arises as a result of any act of negligence or willful misconduct or breach of this Agreement on the part of Manager, its agents, employees, or service contract vendors or equipment lessors engaged in accordance with Paragraph 4.2(f).

- b) Manager agrees to indemnify, defend and hold harmless Owner from any loss, cost, liability or expense (including without limitation reasonable attorneys' fees) occasioned by Manager's breach of any provisions of this Agreement, or incurred in defense of any claim, action, or proceeding maintained against Owner due to the negligence or willful misconduct or violations or breaches of law on the part of Manager, its agents or employees or service contract vendors or equipment lessors engaged in accordance with Paragraph 4.2(f).

Notwithstanding the foregoing, Manager shall not be required to indemnify, defend or hold Owner harmless against any loss, cost liability or expense which arises as a result of any act of negligence or willful misconduct on the part of Owner, its agents or employees.

- c) To support these indemnification agreements, Owner and Manager each agree to maintain in effect, with respect to their activities relating to the Property, Commercial General Liability insurance with limits of not less than \$1,000,000 per occurrence by reputable, qualified companies licensed to do business in North Carolina. Owner and Manager hereby grant to each other on behalf of any insurer providing insurance to either as required by this Agreement, a waiver of any right of subrogation any such insurer of one party may acquire against the other by virtue of payment of any loss under such insurance.

9.5 NOTICES. Any notice provided for by this Agreement and any other notice, demand or communication which any party may wish to send to another (a "Notice") shall be in writing and (i) personally delivered, (ii) sent by registered or certified mail, return receipt requested, in a properly sealed envelop, postage prepaid, (iii) sent by a nationally recognized overnight delivery service in a properly sealed envelope, fees prepaid, and in each such case addressed to the party for which such Notice is intended at such party's address as set forth below; or (iv) by facsimile to the number listed below under the address of the party for which such Notice is intended, with confirmation by one of the other methods prescribed herein, sent not later than the next following business day, addressed as follows:

TO OWNER: 7 EM LLC, Morehead Beachfront LLC
and Morehead LKN LLC

WITH A COPY TO: _____

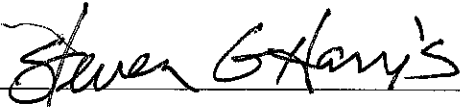
TO MANAGER: Harris Development Group, LLC

- 9.6 ENTIRE AGREEMENT. This Agreement may be revised from time to time to represent the entire agreement between the parties with respect to the subject matter hereof. No alteration, modification, or interpretation of this Agreement shall be binding unless in writing and signed by both parties. Titles of articles, sections and paragraphs are for convenience only and neither limit nor amplify the provisions of this Agreement itself.
- 9.7 SEVERABILITY. If any provision of this Agreement or application to any party or circumstances shall be determined by any court of competent jurisdiction to be invalid and unenforceable to any extent, the remainder of this Agreement or the application of such provision to any person or circumstance, other than those as to which it is so determined invalid or unenforceable, shall not be affected thereby and each provision hereof shall be valid and shall be enforced to the fullest extent permitted by law.
- 9.8 APPLICABLE LAW. This Agreement shall be construed and enforced in accordance with the laws of the State of North Carolina.
- 9.9 MANAGER. The term "Manager" as used in this Agreement shall include any corporate subsidiaries or affiliates of Manager who perform services in, on or about the Property in connection with this Agreement, provided in any such case, Manager shall be responsible for such performance and such performing subsidiary or affiliate shall be deemed an agent of Manager.


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

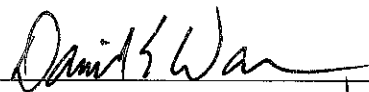
OWNER: 7 EM, LLC

By: 
Steven G. Harris
(Print Name of Authorized Signatory)
Manager
(Title of Authorized Signatory)


OWNER: Morehead Beachfront, LLC

By: 
DONALD J. SHERRILL
(Print Name of Authorized Signatory)
Manager
(Title of Authorized Signatory)

OWNER: Morehead LKN, LLC

By: 
Daniel E Warren
(Print Name of Authorized Signatory)
Manager
(Title of Authorized Signatory)

MANAGER: Harris Development Group, LLC

By: 
Steven G. Harris
(Print Name of Authorized Signatory)
Manager
(Title of Authorized Signatory)

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EXHIBIT A
To Management and Operating Agreement
Compensation

As compensation for its services under this Agreement, Manager shall receive, on or before the 10th day of each month, a sum equal to three percent (3%) of the gross income of the Property in the immediately preceding month, on an accrual basis, consistently applied.

Gross Income shall include the following:

All rent, common area maintenance, insurance, taxes, late fees and percentage rent payments,

Revenue for Tenant improvements whether paid in one payment or over a future period to the extent such revenue exceed the amounts paid to reimburse Landlord for the costs it advances for such Tenant improvements.

Proceeds from tenants who buy out the remaining terms of their leases.

Gross Income shall exclude the following;

Revenue received from tenants deposits due to damages to the leased Premises,

Fire and Extended Coverage loss reimbursements received or accrued,

Tax rebates received or accrued,

The portion of revenue determined to be a bad debt,

Proceeds from the sale or condemnation of assets received or accrued,

Revenue for Tenant improvements whether paid in one payment or over a future period to the extent such revenue reimburses Landlord for the costs it advances for such Tenant improvements,

Interest income received or accrued.