

CARTERET COUNTY-BEAUFORT AIRPORT AUTHORITY MINUTES

Regular Meeting

August 26, 2021

Video Conference Call

Members Present:

Jon Brearey, Bob Coles, Scott Evans, John Floyd, Tom Higgins, WF Parker and Chairman Pat Joyce were present. A quorum was established. Others present were Jesse Vinson, Airport Manager, Kristen Sanner, Business Manager, Jay Talbert and Randy Fender, Talbert and Bright, and members of the public.

Call to Order:

Vice Chairman John Floyd called the meeting to order at 6:00 p.m. and led the meeting attendees in the Pledge of Allegiance while Chairman Joyce worked on connecting to the video conference.

Approval of Agenda:

The agenda was reviewed. *Resolved, Dr. Coles made a motion to approve the agenda as presented, while Mr. Parker seconded the motion.* The motion was unanimously carried.

Consent Agenda:

The following items were reviewed as a part of the consent agenda: Minutes of July 22, 2021 and August 9, 2021, Committee Reports, Financial Reports, and the Management Report. *Resolved, Dr. Coles made a motion to approve the consent agenda as provided, while Mr. Brearey seconded the motion.* The motion was unanimously carried.

Public Comments:

Mr. Chad Noble, Crystal Coast Aviation, noted that the FBO has provided fuel flowage reports as requested by the authority. Dr. Coles asked that Mr. Noble also prepare reporting on the aircraft parked on the ramp. Mr. Noble agreed to review the FBO contract and the specifics of the reporting requirements.

Chairman's Report:

Vice Chairman Floyd deferred the Chairman's report until Chairman Joyce is present.

Old Business:

Talbert & Bright Update

Mr. Fender reviewed Talbert & Bright's monthly update provided in the agenda packet. There is no update on the ALP as it is still under review by the FAA. For the Fuel Farm Construction Site Work, a final balancing change order has been prepared and is awaiting contractor acceptance. Construction closeout documents will follow. A final pay application will be processed at the completion of these items. A letter was sent to Sunland Builders on April 8, 2021, regarding costs for failed QA tests on the project. Per the project specifications, the contractor is required to pay for any retesting costs due to failed tests. For the Fuel Systems, the project is completed and TBI will work through the closeout process in conjunction with the Site Work project. AVGAS tank issues are being coordinated with the contractor and Crystal Coast Aviation. For the Airfield Vault Electrical Utilities, the construction NTP was issued on August 9, 2021 with a contract completion date of September 19, 2021. Construction is underway and Progress Meeting No. 1 was held on August 19, 2021. Minutes were prepared and distributed for this meeting. Construction is currently on track to be substantially complete by the contract completion date. For the T-Hangars & Taxilanes, a second bid opening was held on August 3, 2021 at the airport and two bids were received and opened. Trader Construction

Company was the low bidder for the base bid schedule and selected bid alternates with a bid amount of \$4,005,051.00. The Bid Opening checklist was sent to the EDA for their review and the EDA provided the concurrence that the project may be awarded to Trader Construction Company. The Authority voted at a special meeting on August 9, 2021 to award to Trader Construction Company. Construction contracts have been sent to Trader for their execution and will be sent to the airport for execution once received. Contracts must be fully executed by September 2, 2021 per the contract documents. For the Runway 3-21 Rehabilitation, A draft work authorization for the preliminary investigation phase was sent to the NCDOA on July 23, 2021. Comments were received from the NCDOA on August 20, 2021 and responses to the comments as well as a revised work authorization will be sent to the NCDOA this week. TBI has created a project in the NCDOA's EBS system for the full design of the Runway 3-21 rehabilitation to assist the NCDOA in request for funding. It is anticipated that funds will be awarded for this project in FY 2022. The earliest funding will be available for construction of this rehabilitation would be FY 2023, as projected by the NCDOA. For Hangar Layout and Permitting Assistance, the airport executed TBI's work authorization on August 19, 2021. TBI has been coordinating the potential hangar sizes and layouts with the airport for the last several weeks. A revised layout exhibit was sent to the airport for review on August 20, 2021. TBI is awaiting site information for hangar developers before a stormwater permit modification can be prepared and submitted. TBI is also awaiting the airport's decision to complete a modification for all six hangars or break the hangars into two modifications. Completion of an additional stormwater permit modification would require a minor amendment to TBI's work authorization. The design for taxiway widening will commence in early September.

Mr. Vinson recognized Ms. Brenna Goldner of Talbert & Bright for her excellent work in supporting MRH. She was recently monitoring emails and discovered that there were excess NPE funds available, and she sent an email stating that MRH could apply for those funds and had all the necessary documentation to do so immediately. Mr. Vinson acknowledged that the airport was notified today that they will be receiving approximately \$190,000 in leftover 2017 NPE funds, that other airports have not used, and these funds will be applied towards the fuel farm as a reimbursement. Mr. Vinson again acknowledged Ms. Goldner for her hard work and support.

Maintenance Hangar Upfit

Mr. Brearey gave an update on the Maintenance Hangar Upfit. He recently met with Mr. Robinson and discussed the start date for the maintenance hangar lease which will commence on October 1, 2021. Mr. Brearey briefly detailed the site in which they are considering building an additional hangar. Mr. Brearey noted that the contractor performing the upfit on the maintenance hangar has visited the site on multiple occasions. Mr. Noble has notified his team and current tenants that they will need to vacate the hangar by September 30, 2021.

Ground Lease Update

Chairman Joyce noted that the board has received the latest revisions to the ground lease and all recommended changes have been included. Mr. Vinson will forward the document to the authority's attorney to make sure it is acceptable before publishing.

LGC update

Mr. Vinson stated that the next step for the Local Government Commission (LGC) approval of the installment financing with Carteret County is to hold a Public Hearing on September 8, 2021, at the airport. The county attorney was emphatic that this type of meeting be in-person and not via video conferencing. The meeting will take place on September 8, 2021, at 6:00 p.m. at the airport and should take no longer than 10 minutes. It will be a matter of calling the meeting to order, motioning to open the public hearing, entertaining any comments, closing the public hearing and then passing the resolution to apply for financing with board approval. Mr. Vinson received direction from Ms. Dee Meshaw, County Finance Director, on when to publish the notice in the newspaper, what day the public hearing should take place and what documentation is necessary. Mr. Vinson acknowledged the covid situation and asked that authority members wear their masks during the in-person meeting. The in-person meeting request is to make sure the authority is meeting the LGC requirements. Dr. Coles noted that he has a conflict on the meeting date but should be available to dial in.

New Business:

Budget Amendment

Mr. Vinson reviewed the budget amendment included in the board packet which shows a reduction in the contribution amount from Carteret County. Mr. Vinson requested \$75,000 for the new fiscal year and budgeted as such. The county provided \$21,360 less than the budgeted amount. The change is mostly based upon Ms. Sanner's salary being funded by the county. *Resolved, Dr. Coles made a motion to accept the budget amendment as submitted while Mr. Brearey seconded the motion.* The motion was unanimously carried.

Lease Transfer

Chairman Joyce asked that he and Mr. Brearey be recused from the Lease Transfer topic due to their involvement in the transfer of aircraft and hangar, which will need discussion and approval from the authority. *Resolved, Dr. Coles made a motion to temporarily recuse Chairman Joyce and Mr. Brearey from this portion of the meeting to discuss the lease transfer, while Mr. Higgins seconded the motion.* The motion was unanimously approved.

According to the lease agreement signed on July 1, 2021, subsection 13 states that the lease may be reassigned as long as approval is granted by the authority. Dr. Coles suggested approval of the request as the current airplane will remain in the hangar, just the owner of the aircraft/hangar lessee name will change. The request is for Real Est Opt LLC to reassign the lease to JJJ Aviation LLC. Mr. Vinson requested that the authority authorize the airport manager to prepare a statement acknowledging the transfer. *Resolved, Dr. Coles made a motion to approve the transfer of the lease for Hangar 62 from Real Est Opt LLC to JJJ Aviation LLC and for the airport manager to execute any needed and appropriate paperwork to facilitate such transfer, while Mr. Higgins seconded the motion.* The motion was unanimously carried.

Chairman's Report:

The Chairman's Report was deferred to a later date.

Closed Session:

Resolved, Mr. Parker made a motion to enter into a Closed Session for purpose of discussing confidential information, legal matters, personnel, and contract negotiations as permitted by NCGS 143-318.11(a)(1), (3), (5) and (6), while Mr. Higgins seconded the motion. The motion was unanimously carried.

Hearing no further discussion, Dr. Coles made a motion to return to Regular Session, while Mr. Brearey seconded the motion. The motion was unanimously carried.

Additional Business:

Mr. Vinson notified the authority that the minimum standards document is in process and a second revision will be shared with the authority once prepared. Mr. Parker suggested a complete rewrite of the document as some references were obsolete.

Mr. Floyd asked for an update on the recent inquiry regarding a youth flight club. The board was encouraged to hear about the inquiry and asked that Mr. Vinson follow-up and request further information regarding expectations. The airport also received an inquiry regarding a STEM program and potential affiliation with MRH. The board agrees that community involvement is always positive and bodes well for the mission of the authority. Mr. Vinson will reach out to the contact to discuss the program and its requirements as soon as he is able.

The NCAA Conference took place in August and Dr. Coles stated that he gained very useful information from the portion of the conference that he was able to attend. Ms. Sanner acknowledged some of the topics that were discussed at the conference such as rental rates, lease language, preparedness, virtual tower opportunities and the latest update from the Division of Aviation. Dr. Coles mentioned that he spoke with a Virtower representative who described that an

ADSB antenna is placed at the airport and will track all takeoffs and landings. Having a program such as this would help the authority have a better idea of the volume that MRH sees. Dr. Coles mentioned that if MRH flights were tracked it could potentially make surrounding airports appear to have more volume if they are still not on the virtual tower experience because they are only estimating the numbers. If all airports were required to use this type of program, everyone would be on a level playing field. The DOA noted that there may be grant funding opportunities in the future for programs such as this.

Mr. Brearey asked for an update on the 5010 inspection which took place in late July. Ms. Sanner had a recent discussion with the inspector, Mr. Capps, and he advised that the airport should be receiving the report in the coming weeks.

Mr. Vinson observed that one of the airport hangar tenants has been parking his aircraft in one of only two public aircraft parking spaces on the field and asked the board for their thoughts on the matter.

Hearing no further discussion, Mr. Parker made a motion to adjourn, while Mr. Brearey seconded the motion. The motion was unanimously carried.

Respectfully Submitted,

Jesse Vinson

Interim Airport Manager / Secretary to the Board

Minutes prepared by:
Kristen Sanner

BUDGET AMENDMENT

Date: August 26, 2021

The following Amendments are presented to the Board for your approval, due to the reduction of County allocation.

		Decrease	Increase
Revenue			
330.000	Contribution from Carteret County	\$ 21,360.00	
Expenses			
453.970	Contingency Allocation	\$ 21,360.00	

Approved by:



Date:

8/26/2021

LEASE ASSIGNMENT AGREEMENT

State of North Carolina

This Lease Assignment Agreement (hereinafter "Assignment") is entered into and made effective as of 9/17/21 by and between the current lessee, hereinafter referred to "Assignor": REAL ESTATE OPT LLC and the following new lessee, hereinafter referred to "Assignee": JJJ AVIATION LLC.

Assignor and Assignee may be collectively referred to as the "Parties."

Assignee Name: JJJ Aviation LLC

Mailing Address: PO Box 190, Newport, NC 28570

Mobile Telephone: 252-241-8752

Email Address: pat@joyceandassoc.com

Year, Make & Model of Aircraft: 1974 Beechcraft B-60 Duke

N#: N889JB

Number of Seats: 6

Hangar # Rented: 62

Date: 8/26/2021

RECITALS:

WHEREAS, Assignor is the current lessee of a commercial property ("Property") located at the following address:

*Hangar 62, 180 Airport Road
Beaufort, NC 28516*

WHEREAS, Assignor wishes to assign and transfer to Assignee the lease agreement ("Lease") that Assignor originally signed on December 30th, 2018 together with the landlord ("Landlord") of the Property: CARTERET COUNTY-BEAUFORT AIRPORT AUTHORITY;

WHEREAS, the Landlord of the Property has agreed to this Assignment;

WHEREAS, Assignee wishes to accept the assignment of the Lease.

NOW, therefore, in consideration of the obligations and covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties do contract and agree as follows:

Article 1 - ASSIGNMENT:

Under the terms and conditions herein, Assignor hereby assigns and transfers to Assignee all right, title, and interest in and to the Lease.

As denoted above in this Assignment, this Assignment is to become effective on 9/17/21 and last until the end of the Lease term on June 30, 2022.

Article 2 - ASSIGNOR'S COVENANTS:

Assignor hereby warrants and covenants that Assignor may lawfully assign the Lease interest hereunder and that there are no further encumbrances on the interest. Assignor further warrants and covenants that Assignor is up-to-date with all payments, charges, fees, duties, and/or obligations under the Lease.

Article 3 - ASSIGNEE'S AGREEMENT:

Assignee hereby agrees to pay all rent and other fees due after the effective date of this Assignment. Assignee further agrees to assume and perform all other duties and/or obligations as may be required under the Lease.

Article 4 - LEASE COPY & INCORPORATION:

A copy of the original Lease is attached to this Assignment. This Assignment incorporates and is subject to the original Lease. There shall not be any further assignment of the Lease without the Landlord's advance written consent.

Article 5 - BREACH:

Assignor hereby acknowledges that this Assignment will discharge Assignor of any obligations under the Lease.

Article 7 - GENERAL PROVISIONS:

- a) **BINDING:** This Assignment will inure to the benefit of and be binding upon the respective successors, assignors, heirs, executors and/or administrators of both Parties.
- b) **SEVERABILITY:** If any part or sub-part of this Assignment is deemed invalid by court order, judgment or other operation of law, the remaining parts and sub-parts of this agreement shall remain valid and enforceable to the fullest extent.
- c) **GOVERNING LAW:** This Lease is governed, construed, and interpreted by and through the laws of the State of North Carolina.

EXECUTION:

ASSIGNOR: REAL EST OPT LLC

Sign: Jonathan L Breary MEMBER

Print: JONATHAN L. BREARY

Date: 9-20-21

ASSIGNEE: JJJ AVIATION LLC

Sign: Patrick Paul Joyce MANAGER/MEMBER

Print: PATRICK PAUL JOYCE

Date: 9/17/21

LANDLORD CONSENT

I, CARTERET COUNTY-BEAUFORT AIRPORT AUTHORITY, the Landlord named in the above Assignment to be effective on 9/17/21, hereby consent to that Assignment. I further agree that after 9/30/21 the Assignee in the above Assignment will be responsible for all rent and other obligations under the Lease. I hereby release the Assignor from all duties and obligations under the Lease.

I accept Assignee as Lessee in place of Assignor.

Sign: Jesse Vinson
Print: JESSE VINSON
Date: 9-17-2021

**CARTERET COUNTY-BEAUFORT AIRPORT AUTHORITY
HANGAR LEASE AGREEMENT**

Lessee Name: Real Est Opt LLC

Mailing Address: 203 Rudo;ph Dr

City: Beaufort State: NC Zip: 28516

Home Telephone Number: 2525043664 Mobile Telephone: 2522419131

Email address: jonbrearey@icloud.com

Year, Make & Model of Aircraft: 1974 Beech Duke

N#: N889JB Number of Seats: 6

Hangar # Rented: 62 Date: 7/1/2021

THIS LEASE AGREEMENT (this "Lease") is entered into this 1st day of July, 2021 (the "Lease Execution Date") by and between CARTERET COUNTY-BEAUFORT AIRPORT AUTHORITY, herein called "Authority", and Real Est Opt LLC/Jonathan L. Brearey, herein called "Lessee" for the leasing of an aircraft hangar, more particularly described herein, all upon the following terms and conditions:

1. DEFINITIONS

As used herein, the terms below shall have the following meanings:

- A. "Airport" shall mean the Carteret County – Beaufort Airport located in Beaufort, North Carolina;
- B. "Premises" means Hangar # 62 located at the Airport, more particularly described on Exhibit A, attached hereto and incorporated herein by reference.
- C. "Commencement Date" shall begin at 12:00:01AM, July 1st, 2021.
- D. "Termination Date" shall be that date which is ONE (1) YEAR from the Commencement Date; however and to the extent that the expiration of said one (1) year period would fall on a day other than the last day of a given month, the Termination Date shall be extended to 11:59:59PM on the last day said month.
- E. "Lease Year" means a period of twelve (12) consecutive full calendar months measured from the Commencement Date; however, to the extent that the Commencement Date starts on a day other than the first day of a given month, the Lease Year shall be deemed to include the prorated portion of the first month along with the subsequent twelve (12) consecutive months.

Initial JB

F. **“Rules and Regulations”** means all rules and regulations issued by the Authority concerning use of the Premises and the Airport generally, as those rules and regulations may from time to time be amended, provided that such regulations apply equally to all Lessees of the Airport except as specifically otherwise provided herein.

2. **PREMISES.** Authority hereby leases to Lessee and Lessee hereby rents from Authority the Premises. In addition, Lessee shall have, at all times, the full and free right of ingress to and egress from the Premises for Lessee, its employees, customers, guests, and other invitees. Such rights shall also extend to persons or organizations supplying materials or furnishing services to Lessee, to include vehicles and equipment reasonably required by such persons or organizations. As to each, provided that the Rules and Regulations of Authority are complied with.

3. **TERM AND RENEWALS.**

(a) **Term.** The term of this Lease shall commence on the Commencement Date and continue up to the Termination Date, unless sooner terminated as provided for herein, (the “Term”).

(b) **Renewal Terms.** The Term shall automatically renew for additional one (1) year periods without requirement of notice (each a “Renewal Term”). Notwithstanding the foregoing, either party may give the other written notice of its election to not renew this Lease in which case, the Term shall not be renewed. Any such notice must be given at least sixty (60) days prior to the expiration of the then-current Term, **time being of the essence**. All of the terms of this Lease shall continue to apply during any Renewal Term except in regards to the amount of Rental which shall be adjusted at the commencement of each Renewal Term to the then-current published rental rate adopted by the Authority. Any reference in this Lease to “Term” shall include a “Renewal Term”.

4. **RENT.** Beginning on the Commencement Date and continuing through the initial Lease Year, Lessee agrees to pay Authority, without prior notice, demand, deduction or offset, quarterly rental in the amount of One Thousand Two Hundred Five **DOLLARS AND NO/100 (\$ 1,205.00)**, (“Rental”). The first payment shall be due on or before the Commencement Date with all subsequent payments due on or before the first day of each subsequent quarter. To the extent that the Commencement Date begins on a day other than the first day of a given quarter, the initial rent payment shall be for a full quarter and prorated rent for the partial month. Each time the Term is renewed under Paragraph 3 above, the Rental shall adjust to the then-current published rental rate adopted by the Authority.

Any payment of Rental received more than ten (10) days after its due date shall be subject to a late payment fee of \$100.00.

All additional sums, charges, or amounts to be paid by Lessee to Authority in accordance with the terms of this Lease are herein collectively referred to as “Additional Rental”.

5. **USE OF PREMISES.** Lessee shall be permitted to use the Premises for the storage of the Aircraft, its related equipment and gear only and for no other purpose unless otherwise consented to in writing by the Authority. To that end, Lessee shall provide to the Authority’s Airport Director a copy of the current FAA Registration and/or proof of ownership, suitable to the Authority, for the aircraft to be stored pursuant to this Lease. If Lessee has a temporary registration or if there is any change of aircraft ownership, Lessee shall notify the Authority within ten (10) days and shall have ninety (90) days in which to acquire a permanent registration or another aircraft; otherwise, Authority shall have the right to cancel

this Lease without requirement to notice or opportunity to cure as provided under Paragraph 15. If the registration is not in the name of the Lessee, then Lessee must provide the Authority with a copy of a valid exclusive lease or other documentation establishing an adequate possessory interest in the aircraft.

Lessee's use the Premises shall be in accordance with the terms of this Lease, the Authority's Rules and Regulations and any federal, state or local governmental ordinance, law or regulation, including those issued by the Federal Aviation Administration. Further, Lessee shall make no use of the Premises which will interfere with or unreasonably disturb adjacent Lessees of the Authority, as determined in the sole and reasonable discretion of Authority and shall not keep, use nor sell anything prohibited by any policy of fire insurance covering the Premises, and shall comply with all requirements of the insurers applicable to the Premises, which are reasonably necessary to keep in force the fire and liability insurance.

6. **TAXES AND UTILITIES**

(a) Taxes. Lessee shall be responsible for and shall pay all ad valorem taxes which are assessed against Lessee with respect to, or allocable to, Lessee's Airplane and any personal property, including trade fixtures, situate in the Premises.

(b) Utilities. Authority represents and warrants that power will be available at the Premises and is currently included in the Rental. Notwithstanding the above, the Authority reserves the right upon thirty (30) days notice to Lessee, to elect to pass such utility usage fees to Lessee to be paid as Additional Rent. Where there are multiple hangars served by a single meter, it shall be permissible for Authority to divide the bill for such utility service equally without regard to actual usage.

7. **MAINTENANCE AND ALTERATIONS.** The obligations of the parties regarding the repair, replacement and alteration of the Premises are as follows:

(a) Repairs to Structural Portions. Lessor shall keep the roof, the exterior and supporting walls, exterior doors and other structural portions of the Premises along with the water, electrical and plumbing service lines in good condition, repair and replacement.

(b) Lessee Repairs. Except as otherwise provided herein, Lessee, at its sole cost and shall keep the interior of the Premises in state of good condition, repair and replacement. This obligation shall include (but is not limited to) all interior painting, lighting, trade fixtures and fixtures for water, electrical and plumbing.

(c) Alterations. Lessee shall not alter any existing fixtures or improvements or alter the walls, floor, doors, ceiling, electrical or mechanical systems, or any portion of the Premises in any manner; nor shall Lessee add fixtures or improvements or in any way modify the Premises **without prior written approval of the Authority.** Lessee shall not attach any hoisting or holding mechanism to any part of the Premises or pass any mechanism through any part of the struts or beams of the Premises. Floor mounted electrical retrieval winches, which meet Authority requirements, may be installed with prior written approval of the Authority. Any and all work approved by the Authority shall be at Lessee's sole cost and expense. All fixtures, improvements, and additions made in or upon the Premises shall remain with the Premises and become the property of the Authority at the expiration or earlier termination of this Lease without compensation required to be paid by the Authority to Lessee.

(d) Lessee's Neglect. Regardless of any obligation otherwise imposed upon Lessor, Lessee shall pay for the cost of any repairs or damage resulting from the negligence or the unlawful or willful acts of its employees, representative or visitors.

(e) Lessor's Liability. Lessor shall not be liable to Lessee for failure to make any repairs required of Lessor, or damages as a consequence thereof, unless written notice of necessity thereof has been given by Lessee to Lessor, specifying in reasonable detail the repairs required, and Lessor shall not have made such repairs within a reasonable period of time sufficient to accomplish such repairs after receipt of such notice, due allowances being made for delays beyond the control of Lessor.

8. **DESTRUCTION OF PREMISES.** In the event of a partial damage to, or partial destruction of, the Premises during the Term of this Lease due to fire or any other casualty which is covered by any insurance policies maintained under this Lease, then upon receipt by Authority of a commitment from Authority's insurance company to tender to Authority the insurance proceeds for such damage or destruction, Authority shall forthwith repair the same, provided the repairs can be made within one hundred twenty (120) days from the date of the damage or destruction. "Partial damage" or "partial destruction" means that the Premises has been damaged or destroyed to extent of less than fifty percent (50%) of the replacement cost. Any partial damage or destruction shall neither annul nor void this Lease, provided, however, that until the repairs are completed, Rental will abate in proportion to the area damaged or destroyed. If the repairs cannot be made within one hundred twenty (120) days from the date of the damage or destruction, either party may terminate this Lease by delivery of written notice to the other party, and such termination shall be effective as of the date of receipt of such notice. Should the Premises be destroyed to the extent of fifty percent (50%) or more of the replacement cost thereof, this Lease may be terminated at the option of either Authority or Lessee by delivery of written notice to the other party, and such termination shall be effective as of the date of receipt of such notice. The determination as to percentage of replacement cost and time required for the repair or replacement of the Premises shall be made by an independent firm of engineers and architects acceptable to Authority and Lessee, and shall be binding on both parties.

9. **MECHANIC'S LIENS.** In the event that any mechanic's or materialmen's liens shall at any time be filed against the Premises by reason of work, labor, services, or materials performed by or at the direction of Lessee, Lessee shall cause any such lien to be immediately discharged of record or bonded to the satisfaction of Authority. Failure to do so within ten (10) days of written notice from Authority shall constitute an Event of Default.

10. **INDEMNITY AND INSURANCE**

(a) Indemnity by Lessee. Lessee shall indemnify, hold harmless and defend Authority from and against any and all claims, actions, damages, liability and expense, including, but not limited to, attorneys and other professional fees, in connection with loss of life, personal injury and/or damage to property arising from or out of the occupancy or use by Lessee of the Premises or any part thereof occasioned wholly or in part by any act or omission of Lessee, its officers, agents, contractors, employees, or invitees. Notwithstanding anything herein to the contrary, in no event shall Lessee be liable for loss of life, personal injury, or property damage resulting from any act or omission of Authority, its officers, agents, contractors, employees, invitees, or licensees, or resulting from any act or omission of any third party other than Lessee's officers, agents, contractors, employees, or invitees.

(b) Lessee's Insurance. At all times after the execution of this Lease, Lessee will carry and maintain, at its expense:

- i. Aircraft liability insurance, in an amount of no less than \$1,000,000 each occurrence or accident with \$1,000,000.00 aggregate which shall include coverage for clean-up of hazardous substances for any Aircraft on the Premises.

(c) Policy Requirements. All companies writing any insurance which Lessee is required to carry and maintain or cause to be carried or maintained pursuant to this Paragraph 10, as well as the form of such insurance, shall at all times be subject to Authority's approval, which approval shall not be unreasonably withheld, and any such company shall be licensed and authorized to do business in the State of North Carolina. The policy(s) required to be maintained hereunder by Lessee shall name Authority as an additional insured with loss payable thereunder in accordance with Authority's and Lessee's respective interests. The policy(s) shall also contain a valid provision or endorsement that any such policy may not be canceled, terminated, changed, or modified except after thirty (30) days written notice is given to Authority (and/or Authority's designee). Lessee shall provide Authority with a certificate evidencing such property and liability insurance promptly upon commencement of Lessee's obligation to procure such policy(s). If Lessee shall fail to perform any of its obligations under this paragraph, Authority may perform such obligations by procuring such policies and the costs of such procurement shall be deemed Additional Rental and shall be payable by Lessee to Authority upon Authority's demand.

11. **CONDEMNATION.** If all of the Premises, or such part thereof as will make the Premises unusable for Lessee's business operations, should be taken under the power of eminent domain (or a conveyance in lieu thereof), then this Lease shall terminate as of the date possession is taken by the condemnor, and Rental shall be adjusted between Authority and Lessee as of such date. If only a portion of the Premises shall be taken and Lessee can continue use of the remainder (as determined by Lessee in Lessee's sole business judgment), then the Lease will not terminate, but Rental shall abate in a just and proportionate amount to the loss of use resulting from such taking. Authority and Lessee shall each be entitled to recover from the condemning authority such portions of the award for the taking as allowed under applicable law.

12. SUBORDINATION AND ATTORNMEN

(a) Subordination and Estoppel Certificates. Lessee agrees that this Lease will be subordinate to any deed of trust now existing or hereafter executed by Authority or Carteret County covering the Premises, provided that such subordination is expressly contingent upon the non-disturbance of Lessee's possession of the Premises so long as Lessee is not in default. Lessee agrees to execute within twenty (20) days of request therefor, and as often as requested, estoppel certificates setting forth the facts with respect to the date of occupancy, the Commencement and Termination Dates of this Lease, the amount of Rental due and the date to which Rental is paid, whether or not Lessee has any defense or offsets to the enforcement of this Lease or knowledge of any default or breach by Authority, and that this Lease is in full force and effect inclusive of all modifications and/or amendments, copies of which Lessee shall attach to such estoppel certificate.

(b) Modification For Mortgagee. If, in connection with financing or refinancing of the Premises by Authority or Carteret County, their lender shall request Lessee to execute reasonable immaterial lease modifications as a condition to such financing or refinancing, Lessee will not unreasonably withhold, delay or defer its consent thereto, provided that such modifications do not increase the obligations of Lessee hereunder, extend or decrease the Term, or adversely affect the leasehold interest created by this Lease. Further, if Authority or Carteret County is unable to obtain financing or refinancing of the Premises except by modifying the terms and provisions of this Lease, and Lessee refuses to agree to such modifications, Authority shall have the right prior

to or after occupancy by Lessee of the Premises to cancel this Lease if Lessee refuses to approve in writing any such modifications within thirty (30) days after Authority's request therefor, except, that this Lease may not be canceled for failure of Lessee to approve any modification of the Premises, the Term, Rental, Additional Rental and other charges or any other modification increasing the obligations of Lessee hereunder or adversely affecting its leasehold interest herein. Lessee agrees, not later than twenty (20) days after demand, and without cost, to execute such reasonable documents as may be required by Authority's lender as described herein.

(c) Attornment. If any person shall succeed to all or part of Authority's (or Carteret County's) interest in the Premises, whether by purchase, foreclosure, deed in lieu of foreclosure, power of sale, termination of lease, or otherwise, and if so requested or required by such successor-in-interest, Lessee shall attorn to such successor-in-interest and shall execute an agreement in confirmation of such attornment as such successor in interest shall reasonably request.

13. ASSIGNMENT

(a) Authority's Consent Require. Lessee shall not assign this Lease in whole or in part without receiving prior written permission and consent from Authority. A transfer of more than 51% of the ownership of the lessee is not valid and will void the lease unless the lessee obtains written permission from the lessor.

(b) Transfer in Bankruptcy. Authority and Lessee understand that, notwithstanding other provisions contained in this Lease, a trustee or debtor-in-possession under the Bankruptcy Code of the United States may have certain rights to assume or assign this Lease. Authority and Lessee further understand that in any event Authority is entitled under the Bankruptcy Code to adequate assurances of future performance of the terms and provisions of this Lease. At a minimum, any proposed assignee must have demonstrated to Authority's satisfaction a financial condition and resources sufficient to provide commercially reasonable assurance of its ability to perform all of the obligations of Lessee under the Lease.

(c) Subleasing. Lessee may not sublease all or any portion of the Premises without the advance written consent of the Authority.

14. **ENVIRONMENTAL COMPLIANCE AND INDEMNITY**. Lessee shall use the Premises in compliance with all Environmental Laws and shall indemnify and hold Authority harmless from and against any and all Loss arising from Lessee's release or disposal of Hazardous Materials on the Premises in violation of applicable Environmental Laws. The indemnification provisions set forth herein shall survive the expiration of the Term of this Lease and shall apply to events or occurrences during or after the Term due to acts or failures to act by Lessee, its employees, agents and contractors prior to the expiration of the Term (including "releases" or "discharges" of Hazardous Substances prior to the expiration of the Term). Notwithstanding anything herein to the contrary, in no event shall Lessee be liable for any Loss or Environmental Loss arising from or as a consequence of any act or omission of Authority, its officers, agents, contractors, employees, invitees, or licensees, or arising from or as a consequence of any act or omission of any third party other than Lessee's employees, agents, and contractors.

For the purposes of this Paragraph 14, the following capitalized words shall have the meanings set forth below:

(a) "Environmental Laws" shall mean all federal, state and local environmental laws, standards, ordinances and regulations, including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act, 42 USC §9601 et. seq., the Emergency Planning and Community Right-to-Know Act, 42 USC § 11001 et. seq., the Resource Conservation and Recovery Act, 42 USC §6901 et. seq., the Clean Air Act, 42 USC §7401 et. seq., the Toxic Substances Control Act, 15 USC §2601 et. seq., and the Federal Water Pollution Control Act, 33 USC §1251 et. seq.

(b) "Hazardous Substances" shall mean oil, petroleum products, hazardous substances, hazardous waste, regulated substances, toxic substances, or hazardous air pollutants as defined or described by the Environmental Laws.

(c) "Environmental Loss" or "Loss" shall mean any and all damages, penalties, fines, claims, liens, suits, liabilities, costs (including clean-up costs), judgments and expenses (including any attorneys', consultants' or experts' fees and expenses) of every kind and nature suffered by or asserted against Authority as a result of Lessee's failure to use the Premises in compliance with any Environmental Law or as a result of any requirement pursuant to any Environmental Law which requires the elimination, removal, or treatment of any Hazardous Substance..

15. DEFAULT

(a) "Event of Default" Defined. The happening of one or more of the following listed events (herein called "Events of Default") shall, in addition to other Events of Default set forth herein, constitute a default and a breach of this Lease by Lessee:

- i. The failure of Lessee to pay any Rental within ten (10) days after the due date thereof without requirement of notice or demand, or the failure of Lessee to pay any other sum due under this Lease, including Additional Rental, within ten (10) days after written notice from Authority.
- ii. The failure of Lessee to keep, perform or abide by any other term, condition, or covenant of this Lease for a period of thirty (30) days after written notice given by Authority to Lessee notifying Lessee of such default unless a shorter period of time is stated herein in which case such shorter period of time shall control.
- iii. The assignment for benefit of creditors, appointment of a receiver or filing of a petition in bankruptcy on behalf of or against Lessee, and the failure to have such assignment, appointment or petition stayed or vacated within sixty (60) days following entry thereof.
- iv. Any attachment, levy or sale pursuant to any order or decree entered against Lessee in any legal proceeding wherein Lessee's interest in this Lease or in the Premises is affected, and the failure to vacate such attachment, levy or sale within fifteen (15) days following the entry thereof.

(b) Remedies. Upon the happening of one or more of the Events of Default, Authority may elect any of the following remedies:

- i. Authority, with or without terminating this Lease, may re-enter the Premises and correct or repair any condition which shall constitute a failure on Lessee's part to keep or perform or abide by any term, condition, or covenant of this Lease. Lessee shall reimburse and compensate Authority as Additional Rental, within

ten (10) days after delivery of any statement to Lessee by Authority, for any expenditures made by Authority in making such corrections or repairs.

- ii. Authority, with or without terminating this Lease, may demand in writing that Lessee vacate the Premises. Lessee shall vacate the Premises and remove all property on the Premises which belongs to Lessee within ten (10) days of receipt of such notice, and Authority shall have the right to reenter and take possession of the Premises at any time following such ten (10) day period.
- iii. Authority, with or without terminating this Lease, may relet the Premises or any part thereof for such time or times and at such rent-or rents and upon such other terms and conditions as Authority in its sole discretion may deem advisable. If this Lease shall have not been terminated, Lessee shall continue to pay all Rental due under this Lease up to and including the date of the beginning of payment of rent by any subsequent Lessee of part or all of the Premises, and thereafter Lessee shall pay quarterly during the remainder of the Term the difference, if any, between the rent collected from any such subsequent Lessee or Lessees and the Rental specified in this Lease, but Lessee shall not be entitled to receive *any* excess of any such rents collected over the Rental specified herein.
- iv. Authority may terminate this Lease by giving written notice of termination to Lessee and upon such termination Authority shall have and recover from Lessee all damages Authority may suffer by reason of such Event of Default.

In the event of any reentry of the Premises by Authority pursuant to any of the provisions of this Lease, Lessee hereby waives all claims for damages which may be caused by such reentry by Authority except such claims as arise from the negligence of Authority; and Lessee shall save Authority harmless from any loss, costs (including reasonable attorneys fees) or damages suffered by Authority by reason of such reentry. No such reentry shall be considered or construed to be a forcible entry.

No course of dealing between Authority and Lessee, or any delay on the part of Authority in exercising any rights Authority may have under this Lease, shall operate as a waiver of any of the rights of Authority hereunder. Nor shall any waiver of a prior default operate as a waiver of any subsequent default or defaults; and no express waiver shall affect any condition, covenant, rule or regulation other than the one specified in such waiver and that one only for the time and in the manner specifically stated.

The exercise by Authority of any one or more of the remedies provided in this Lease shall not prevent the subsequent exercise by Authority of any one or more of the other remedies herein provided. All remedies provided for in this Lease are cumulative and may, at the election of Authority, be exercised alternatively, successively or in any other manner and are in addition to any other rights provided by law. Further, Authority may recover all damages and expenses (including reasonable attorneys' fees) incurred by Authority as a result of Lessee's default.

16. **Authority's Default; Lessee's Remedies.** In the event that Authority fails to observe or perform any obligation required to be observed or performed by Authority under the terms of this Lease, and Authority fails to cure such breach within thirty (30) days after written notice thereof from Lessee it shall be deemed in default, unless such default is unable to reasonably be cured within said period of time and Authority has notified Lessee in writing of its intent to cure such default. In such event, the Authority shall have a reasonable period of time to cure said default, not to exceed sixty (60) days. Upon Authority's default, Lessee, at its option, may have one or more of the following remedies, in addition to other rights or remedies it may have at law or in equity:

- (a) Lessee may terminate this Lease immediately upon written notice to Authority;
- (b) Lessee may recover all damages and expenses (including reasonable attorneys' fees) incurred by Lessee as a result of Authority's default; however, Lessee shall not be entitled to recover punitive or consequential damages for any breach by Lessor; and,
- (c) Lessee may seek equitable relief including, but not limited to, specific performance.

17. **SURRENDER OF PREMISES.** Upon the expiration or earlier termination of this Lease, Lessee agrees to return the Premises to the Authority and to remove all of Lessee's property, goods and effects from the Premises. Lessee shall leave the Premises in a neat, clean and orderly condition, allowing for ordinary and normal usage during occupancy. Lessee shall be responsible for and shall reimburse the Authority for the costs of any repair for damage to the Premises. The Authority is hereby authorized, without liability to Lessee for loss or damage, and at the sole risk of the Lessee, to remove and store any property, including aircraft, left by Lessee in the Premises at Lessee's expense, or to retain such property, or to sell such property at a public or private sale and apply the net proceeds of such sale to the payment of any sum due to the Authority by Lessee, or to destroy such property.

18. **ENTRY TO PREMISES.** Upon providing Lessee with at least forty-eight (48) hours' prior notice, Authority shall have reasonable access to the Premises at all reasonable times for the purpose of examining or inspecting conditions thereof in order to exercise any right or power reserved to Authority under the terms and provisions of this Lease, subject to applicable insurance laws and regulations. Notwithstanding the above, Lessor shall not be required to give such notice if deemed reasonably necessary to prevent injury, loss or damage to person or property or as part of its monthly inspection of the fire extinguishers required to be maintained in the Premises.

19. **SECURITY.** The Lessee agrees to abide by all Airport security procedures and, if required, to obtain an identification badge issued by the Airport. If identification badges are required, Lessee shall not be allowed in any Airport restricted areas without a valid Airport identification badge.

20. **MISCELLANEOUS**

(a) Identity of Interests. The execution of this Lease or performance of any act pursuant to the provisions hereof shall not be deemed or construed to have the effect of creating between Authority and Lessee the relationship of principal and agent or of partnership or joint venture, and the relationship between them shall be that only of lessor and lessee or Authority and Lessee.

(b) Notices. All notices, requests, demands, approvals, or consents required to be given hereunder shall be in writing and sent by (a) personal delivery, (b) registered or certified mail, return receipt requested, postage prepaid or (c) by nationally recognized commercial overnight courier, and shall be addressed as follows:

If to Authority:
 Manager
 Carteret County - Beaufort Airport Authority
 180 Airport Road
 Beaufort, NC 28516

If to Lessee:
 Real Est Opt LLC
 203 Rudolph Dr
 Beaufort, NC 28516
 Jonathan L. Brearey

or to such other address as either party may specify by giving written notice to the other party in the manner hereinabove prescribed. Any such notice, demand, request or other communication shall be deemed to have been given upon the earlier of personal delivery thereof, three (3) business days after having been mailed as provided above, or one (1) business day after deposit for next business day delivery with a commercial overnight courier service, as the case may be.

(c) Applicable Law and Venue. This Lease shall be construed and interpreted under the laws of the State of North Carolina and the parties agree that the proper venue for any action related to the interpretation or enforcement of this Agreement shall be with the State Courts in Carteret County, North Carolina or that Federal courts within the Eastern District of North Carolina.

(d) Lease Binding upon Heirs, Etc. The terms, covenants, conditions, provisions and undertakings in this Lease shall extend to and be binding upon the heirs, personal representatives, executors, administrators, successors and assigns of the parties hereto.

(e) Headings. The paragraph headings hereof are provided for the convenience of reference only and are not intended to define the substantive rights contained in any Article or Section.

(f) Singular/Plural. Throughout this Lease, wherever the context requires or permits the neuter, masculine and feminine gender shall be interchangeable and the singular number shall be deemed to include the plural, and vice versa.

(g) Memorandum of Lease. Authority and Lessee agree, upon the demand of the other, to execute a statutory form of memorandum of lease in recordable form.

(h) "X" if applicable, Corporation or Limited Liability Company as Lessee. Lessee hereby covenants and warrants that: (i) Lessee is a corporation or limited liability company organized under the laws of the State of NC, (ii) all Lessee's franchise and corporate taxes which are due and payable have been paid; (iii) all future forms, reports, fees and other documents necessary for Lessee to comply with applicable laws will be filed when due; and (iv) the persons executing this Lease on behalf of Lessee are duly authorized by the board of directors/managers of Lessee to execute and deliver this Lease on behalf of the corporation or limited liability company.

(i) Severability. In the event any term or provision of this Lease shall be adjudged to be partially or completely invalid or unenforceable, then such term or provision shall be severed from this Lease, and the remainder of this Lease shall be valid and enforceable to the fullest extent permitted by law.

(j) Entire Agreement. This Lease and the exhibits, schedules, and documents attached hereto set forth the entire agreement between the parties with respect to the subject matter hereof. This Lease shall not be modified orally, and may be modified only by a writing signed by the parties.

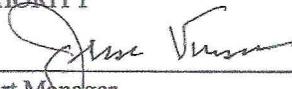
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[Signature Page]

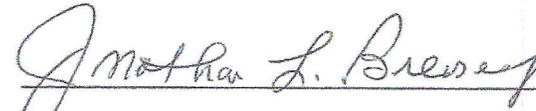
IN WITNESS WHEREOF, Authority and Lessee have caused this instrument to be executed by their duly authorized officers on the day and year first above written.

LESSOR:

CARTERET COUNTY – BEAUFORT AIRPORT
AUTHORITY

By: 
Airport Manager

INDIVIDUAL
LESSEE:

By: 
Jonathan L. Brearey
Print Name

By: _____
Print Name

CORPORATION/LLC

Real Est Opt LLC
Print Name of Corporation/LLC

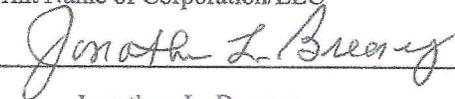
By: 
Name: Jonathan L. Brearey
Title: Member

Exhibit A
Description or Depiction of Premises

Hangar 62: 1339 sq. ft.

A handwritten signature in black ink, consisting of a large, stylized letter 'J' followed by a smaller letter 'B'.