

**STATE OF NORTH CAROLINA
COUNTY OF CARTERET**

LEASE

THIS LEASE made and entered into this 10 day of August, 2007, by and between the BEAUFORT-MOREHEAD CITY AIRPORT AUTHORITY, a body politic under the laws of the State of North Carolina, hereinafter called "Authority," and John L. Warrington whose address is 182 Purifoy Farm Road, Beaufort, North Carolina 28516, hereinafter referred to as "Lessee";

WITNESSETH:

That for and in consideration of the terms and conditions hereinafter set forth, Beaufort-Morehead City Airport Authority does hereby let and lease unto Lessee and Lessee does hereby accept as Lessee of the Beaufort-Morehead City Airport Authority, that certain area and/or hangar space for the storage of airplanes which area and/or hangar space is known and designated as follows:

Hangar # 28, (aka) Clarence Blackwell Hangar.

THE TERMS AND CONDITIONS OF THIS LEASE ARE AS FOLLOWS:

1. **Lease Term:** This Lease shall begin as of April 1, 2007, and, unless sooner terminated as herein provided, shall exist and continue until the 31st day of March, 2032. The Lessee shall have the first option to renew this Lease by giving notice to the Authority sixty (60) days prior to the termination of this Lease. Within thirty (30) days following notice having been given by Lessee to the Authority concerning Lessee's desire to renew this Lease, then the Authority and Lessee shall in good faith negotiate the annual rent due the Authority for the renewal period. In the event the Authority and Lessee are unable to agree as to the rent due for the renewal period within thirty (30) days following notice given by Lessee to the Authority, then the Authority shall have the right to lease said hangar space and area to another lessee or tenant. In the event Lessee and Authority are able to agree as to a rate of renewal, then both the Authority and the Lessee shall enter into a new written lease for the renewal space.

2. **Rental and Lessee's Obligations:** As monthly rental for the hangar space and/or hangar area, Lessee shall pay to the Authority as follows:

<u>Rent:</u>	Years 2007 - 2012	1.2 Cents per Square Foot of the Improvements
	Years 2013 - 2017:	1.4 Cents per Square Foot of the Improvements
	Years 2018 - 2022:	1.6 Cents per Square Foot of the Improvements
	Years 2023 - 2027:	1.8 Cents per Square Foot of the Improvements
	Years 2028 - 2032:	2.0 Cents per Square Foot of the Improvements

"Improvements" shall mean the square footage of the Premises actually covered by the footprint of the hangar(s) constructed by lessee. The square footage of the Improvements shall be determined by a surveyor mutually approved by the Authority and Lessee, and the cost of such survey work shall be paid by lessee.

In the event that the Authority and Lessee have agreed upon the rent set forth herein based on the Lessee agreeing to undertake and construct certain improvements on the hangar area or within the hangar space, then the Authority and the Lessee shall attach to this Lease as Exhibit A the obligations of the Lessee to carry out and construct improvements on said hangar space and/or within the hangar area. Exhibit A shall contain as a minimum the type of improvement to be constructed by Lessee, the location of said improvements, plans and specifications for said improvements, the cost of said improvements and detailed plans and specifications to be carried out by Lessee as part of this Lease. Exhibit A shall be approved and executed by both the Authority and the Lessee and shall be attached to and become part of this Lease. It is stipulated and agreed that the annual rental, agreed upon by the Authority, has been taken into consideration for any improvements to be carried out by Lessee within the hangar space and/or hangar area, and in the event Lessee fails to carry out the improvements as described in Exhibit A in the manner and according to the time schedule set forth on Exhibit A, or in the event work does not commence within 180 days from the execution of this lease, then the Authority shall have the right to terminate this Lease and to take possession of all materials and property of tenant remaining on the Airport property in connection with the improvements upon giving fifteen (15) days written notice to Lessee of its default.

3. **Lessee's Improvements:** As Lessee is obligated to carry out any improvements within the hangar space and /or hangar area, or in the event Lessee carries out improvements to the hangar building even though not obligated to do so according to the terms of this Lease, then all buildings and other improvements so carried out on the hangar space and/or hangar area by Lessee shall belong to and be the property of the Authority. Lessee shall have no right to alter,

change, or remove any fixtures or improvements within the leased area at the termination of this Lease except with the specific written approval of the Airport Authority. Lessee shall also be responsible for all materials and labor used in the construction of any improvements within the leased area, and shall indemnify and hold harmless the Authority from any and all costs, claims, liens and/or liabilities of any kind whatsoever which may be asserted against the Beaufort-Morehead Airport Authority arising out of or resulting from the construction or carrying out of improvements by Lessee on Airport property, including the Airport Authority's reasonable attorney's fee and court costs associated therewith.

4. **Property Insurance:** Lessee shall maintain continuous property damage insurance on any building and/or improvements located within the hangar space and/or hangar area which is the subject of this Lease. Said property insurance shall be in the minimum amount of the replacement value of said improvements and the policy of insurance shall name the Lessee and the Authority as coinsured parties as their interests may lie. Upon the execution of this Lease, and with each renewal thereafter, the Lessee shall provide the Authority with a policy of property insurance meeting the requirements of this paragraph listing Authority as "other insured." Said property insurance shall insure the building and improvements from damage or loss from fire, wind, water and extended casualties, and the Airport Authority shall have the right to refuse any tendered property insurance in the event the Airport Authority finds that it does not adequately insure the building from loss. Lessee shall be responsible for the payment of premiums on said property insurance. Lessee shall also be responsible for obtaining his own property insurance on Lessee's airplane and other personal property located within the leased premises.

5. **Liability Insurance:** Lessee shall maintain continuous liability insurance covering Lessee's buildings and improvement and Lessee's operations and activities on, around and in the leased premises. Said liability insurance shall show the Authority and the Lessee as coinsured parties. Said liability insurance shall protect the Authority from any and all claims, demands and liabilities of whatsoever nature and kind which may arise from Lessee's lease of the hangar space and/or hangar area, the construction or carrying out of the improvements thereon, and Lessee's operations and use of the hangar space and/or hangar area. The insurance shall protect the Authority from claims for injuries, death and property damage, and shall be in the minimum amount of \$1,000,000.00 for each claimant, \$3,000,000.00 for each occurrence and \$1,000,000.00 property damage. All premiums on said liability insurance shall be paid by

Lessee. The Authority shall have the right to require greater minimum coverages when, in Authority's sole discretion, the circumstances require it, and the right to reject any and all policies so tendered if the Authority finds that the policy does not adequately protect the Authority. The policy of liability insurance shall be presented to the Authority upon the execution of this Lease and at each successive renewal thereafter.

6. **Utilities:** During the term of this Lease, Lessee shall provide and pay for all lights, heat, water and sewer charges, telephone charges, and other utilities or similar services used in connection with the leased premises. All connections, deposits, and charges for utilities shall be in the name of Lessee and shall be paid by Lessee.

7. **Property Taxes by Lessee:** The hangar which is the subject of this Lease is in all respects deemed to be personal property and may be subject to Carteret County property tax based upon a levy assessed by the office of the Carteret County Tax Assessor. Should Carteret County determine to assess the lease or the hangar as personal property, Lessee shall pay all taxes upon the lease or the hangar, as assessed, together with taxes upon all personal or business property located within the confines of the hangar itself.

8. **Maintenance:** Lessee agrees to maintain the hangar, premises and all improvements located thereon in as good a condition as of the date of this Lease and/or the date said improvements were completed, normal wear and tear only excepted. Lessee shall make all necessary repairs to said hangar and the improvements to the leased premises during the term of this Lease in order to maintain said building and premises in as good a condition as when leased or completed, normal wear and tear only excepted. Lessee shall maintain the roof, exterior walls, doors, windows and all other parts and components of the building in a good condition, and shall carry out all repairs necessary in order to maintain said building in a condition as requested by the Authority upon ten (10) days notice. Lessee shall not keep or place any junk or spare parts or other personal property or equipment on the exterior of said building.

9. **Use of Leased Premises:** It is expressly understood and agreed that the premises shall, during the term of this Lease, be used exclusively for the storage of an airplane only, and the premises shall not be used for any other business, commercial or manufacturing operations whatsoever. Lessee agrees that he shall abide by all rules and regulations adopted by the Authority as the same relates to the use of the Authority's property as an airport and, and in

particular Lessee's use of the premises, including the demised premises, and his use of an airplane on the support property. Lessee shall abide by all rules and regulations of the North Carolina Division of Aeronautics, the Federal Aviation Authority and all rules and regulations of the Beaufort-Morehead City Airport Authority, including without limitation the "minimum standards" of the Authority, as the same may be modified from time to time. Lessee shall also abide by all County and Town of Beaufort building codes and regulations concerning construction of improvements on the leased premises.

10. **Assignment or Subletting of Lease:** Lessee shall not assign this Lease or sublet any part of the demised premises without the express written consent of the Authority, which consent shall not be unreasonably withheld.

11. **Default by Lessee:** In the event any installment of rent is hereunder called for and shall remain overdue and unpaid for fifteen (15) days or in the event Lessee shall fail to carry out any of its obligations pursuant to this Lease, and following fifteen (15) days written notice to the Lessee by Authority, Lessee should then fail to cure such default, or in the event Lessee should be declared bankrupt, or should make an assignment for the benefit of creditors, then in any event upon fifteen (15) days written notice from the Authority to Lessee, then the Authority at its option may at any time during such default declare this Lease terminated and cancelled and take possession of said premises.

12. **Binding Effect:** This Lease shall be binding on the parties hereto and their heirs, executors, devisee, administrators, successors in interest and assigns. As used herein the singular shall include the plural and the masculine and feminine gender shall include the neuter.

13. **Entire Lease:** The terms and conditions of the Lease are the entire Lease and understanding of the parties. LESSEE acknowledges that he has read this Lease and understands its provisions and agrees to occupy said premises under the terms of the Lease.

14. **Identifying Information:** Prior to the commencement of this Lease, LESSEE agrees to provide to LESSOR with a copy of the registration certificate, including registration number, of any aircraft LESSEE will have on the Property.

15. **Possession:** LESSEE has examined and knows the condition of the property and by taking possession acknowledges that they have received the same in good order and condition except as herein otherwise stated.

16. **Waiver:** A waiver by LESSOR of a breach of any covenant or duty of LESSEE, under this Lease, is not a waiver of a breach of any other covenant or duty of LESSEE, or of any subsequent breach of the same covenant or duty. No provision of this Lease shall be considered waived unless such a waiver shall be expressed in writing as a formal amendment to this agreement and executed by LESSEE and LESSOR.

17. **Notices:** Any notice which either party may or is required to give, may be given by mailing the same, by registered mail, to LESSEE at **182 Purifoy Farm Road, Beaufort, North Carolina 28516**, and to LESSOR at **Beaufort-Morehead City Airport Authority, P.O. Box 875, Beaufort, NC 28516**, or at such other addresses as may be designated by the parties from time to time.

18. **Termination:** This Lease may be terminated by lessee upon 30 days written notice or as otherwise specified in Section 2 of this Lease. In addition, LESSOR may terminate this Lease upon the occurrence of any of the following, which shall constitute a breach of this Lease by LESSEE:

- A. Rent is not paid by the 30th of any month.
- B. LESSEE has failed to comply with any condition of this Lease and has not reasonably corrected the deficiency upon notice by the LESSOR.

Failure of LESSOR to notify LESSEE of the failure to comply with any condition of this Lease shall not be considered a waiver of this provision nor does LESSOR have an obligation to notify of LESSEE of their failure to comply with any condition of this Lease.

19. **Right of Inspection:** The Authority shall have the unqualified right to make routine inspections of the hangar, interior and/or exterior, in order to insure compliance with this Lease or to perform any maintenance and/or repairs as may be required by this Lease.

20. **Automobile Parking:** Automobile/vehicles must be kept either inside the hangar or in designated areas at all times, except during loading and unloading passengers, luggage or freight. Vehicles may not block public ramps, taxiways and other hangars that would impede the traffic of aircraft attempting to use the ramps and taxiways for movement.

21. **Applicable Law.** This Lease shall be construed under the laws of the State of North Carolina.

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IN WITNESS WHEREOF, the Authority has caused this instrument to be executed by its Chairman and attested by its Secretary, and the Lessee has hereunto set his hand and seal the day and year first above written.

LESSOR:

BEAUFORT-MOREHEAD CITY
AIRPORT AUTHORITY

ATTEST:

Gretchen L. Trader
Secretary

By: [Signature]
Chairman

Lessee

[Signature] (SEAL)
[Signature] (SEAL)

Lessee

STATE OF NORTH CAROLINA
COUNTY OF CARTERET

I, MELINDA M. DAVIS (printed name) the undersigned Notary Public, do certify that GRETCHEN L. TRADER (printed name) personally appeared before me this day and acknowledged that she is Secretary of the Beaufort-Morehead City Airport Authority, and that by authority duly given and as in act of said Authority, the foregoing instrument was signed in its name by its Chairman and attested by herself as its Secretary.

Witness my and notarial seal, this the 28th day of August, 2007.

Melinda M. Davis
Notary Public

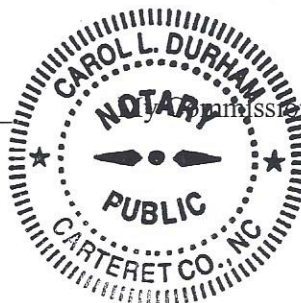
My Commission Expires: May 11, 2008

STATE OF NORTH CAROLINA
COUNTY OF CARTERET

I, Carol L. Durham (printed name) the undersigned Notary Public, do hereby certify that John L. Warrington personally appeared before me this day and acknowledged the due execution of the foregoing instrument.

Witness my hand and notarial seal, this the 10th day of August, 2007.

Carol L. Durham
Notary Public



My Commission Expires: 2/16/2008