

LEASE AGREEMENT

THIS LEASE AGREEMENT, effective the 1st day of October 2008, by and between Talbot County, Maryland, a charter county and political subdivision of the State of Maryland, hereinafter called "Lessor," and Dragonfly Court, LLC, a Maryland limited liability company with its principal place of business at 7891 Fort Stokes Lane, Easton, Maryland 21601, hereinafter called "Lessee" and James Katra, individually, Guarantor.

WHEREAS, Lessor owns certain real property known generally as the Easton Airport, a part of which it desires to lease to Lessee, as set forth herein, for the construction thereon by Lessee of certain improvements.

NOW, THEREFORE, the parties agree, that in consideration of the premises, the monthly rental and the covenants and conditions herein set forth, the said Lessor does hereby lease unto the said Lessee, property situated at Easton Airport, Town of Easton, Talbot County, Maryland, upon the following terms and conditions.

1. Premises: The premises consist of part of that land situate and described on a Plat entitled "Exhibit "A", Easton Municipal Airport," Easton, Maryland recorded among the plat records of Talbot County, Maryland at MAS 2, folio 73C. Specifically, the Premises are located at 9200 Joe Marsh Lane, Easton, Maryland, being more particularly described as a parcel of 35,200 square feet whose dimensions and location are depicted on Exhibit "1" attached hereto and incorporated by reference herein, (the "Demised Premises").
2. Rent. Lessee shall pay rent ("Rent") for the Demised Premises in consecutive monthly installments, in advance, on the first day of each month in accordance with the following schedule:

<u>Year</u>	<u>Monthly Rent</u>	<u>Annual Rent</u>
1 (Oct 08-June 09)	\$1,730.67	\$13,845.36
2 (July 09)	\$1,817.20	\$21,806.40
3 (July 10)	\$1,908.06	\$22,896.72
4 (July 11)	\$2,003.46	\$24,041.56
5 (July 12)	\$2,103.64	\$25,243.64
6 (July 13)	\$2,208.82	\$26,505.82
7 (July 14)	\$2,319.26	\$27,831.11
8 (July 15)	\$2,435.22	\$29,222.67
9 (July 16)	\$2,556.98	\$30,683.80
10 (July 17)	\$2,684.83	\$32,217.99
11 (July 18)	\$2,819.07	\$33,828.89
12 (July 19)	\$2,960.06	\$35,520.33
13 (July 20)	\$3,108.03	\$37,296.35
14 (July 21)	\$3,263.43	\$39,161.17

15 (July 22)	\$3,426.60	\$41,119.23
16 (July 23)	\$3,597.93	\$43,175.19
17 (July 24)	\$3,777.83	\$45,333.95
18 (July 25)	\$3,966.72	\$47,600.65
19 (July 26)	\$4,165.06	\$49,980.68
20 (July 27)	\$4,373.31	\$52,479.71
21 (July 28)	\$4,591.98	\$55,103.70
22 (July 29)	\$4,821.57	\$57,858.89
23 (July 30)	\$5,062.65	\$60,751.83
24 (July 31)	\$5,315.79	\$63,789.42
25 (July 32)	\$5,581.57	\$66,978.89
26 (July 33)	\$5,860.65	\$70,327.83
27 (July 34)	\$6,153.69	\$73,844.22
28 (July 35)	\$6,461.37	\$77,536.43
29 (July 36)	\$6,784.44	\$81,413.25
30 (July 37)	\$7,123.66	\$85,483.91
31 (July 38-Oct 38)	\$7,479.84	\$29,919.36

3. Term. The term of this Lease shall be thirty (30) years, commencing on the 1<sup>st</sup> day of October 2008, and terminating on the 30<sup>th</sup> day of September 2038. The rent shall increase annually in accordance with the foregoing schedule of rents effective July 1<sup>st</sup> each year.
  
4. Construction of Improvements. Lessee shall construct on the Demised Premises, at its sole expense, an aircraft hangar and related improvements according to the design, plans, and specifications to be approved in writing, in advance by Lessor, which approval shall not be unreasonably withheld or delayed. The improvements shall include, without limitation, an apron, water and sewer facilities and parking areas as required. Said construction, which shall be subject to ongoing monitoring, inspection, and approval by Lessor, shall be completed no later than October 1, 2009.

Lessee agrees to retain qualified professional architects/engineers, contractors and/or subcontractors, inspectors or others, as necessary, to design, engineer, and construct an 120 ft. by 90 ft. commercial hangar (the "Improvements") in accordance with plans and specifications to be prepared by Lessee and submitted to, and approved by, Lessor. The improvements shall include office space, all plumbing, water and septic, electrical, mechanical, heating, ventilating, and air conditioning systems, and all accessory parts or components. All costs incurred to plan, design, engineer, create, erect, construct, and complete the improvements shall be borne exclusively by Lessee. Lessee shall post a performance bond with lessor in an amount equal to 125% of the anticipated costs of the Improvements, including without limitation, all materials, labor, design, architectural, engineering, and inspection fees. All materials, workmanship, systems, and component parts shall be constructed to

Lessor's satisfaction and in strict compliance with the approved plans and specifications, unless waived or modified by Lessor.

5. Quiet Enjoyment. Upon the execution of this Lease Agreement, Lessor shall provide Lessee with possession of the Demised Premises and the use and quiet enjoyment thereof.
6. Insurance. Lessee agrees to carry and maintain appropriate property, liability, fire, contents, and casualty insurance, together with such endorsements in such form and amounts, and with companies approved in writing in advance by Lessor. Lessee shall cause its insurance carriers to name Lessor as an additional insured party on each such policy. Lessor shall not be responsible for any damage, loss, or injury to Lessee's property, goods, aircraft, and equipment, tools, records, data, or other items stored or kept on the premises, including loss of use or profits, and including property or items placed, kept, or stored on the Demised Premises by third persons.
7. Utilities. Lessee shall be responsible for supplying all utilities for the Demised Premises and shall pay all fees and charges for the same, including maintenance, upkeep or upgrade, and/or construction of new or existing pipes, transmission lines, sanitary sewer or septic systems.
8. Maintenance. Lessee shall be solely responsible for and agrees to perform, upon written request by Lessor, all maintenance to the improvements erected on the Demised Premises, including without limitation, all structures and all mechanical, electrical, heating, ventilating, air-conditioning, plumbing, septic, and other systems, parking areas, and covenants and agrees to maintain and keep the Demised Premises in a good, neat, orderly, and safe condition. Notwithstanding Lessee's obligation, Lessor may perform any such maintenance itself and bill Lessee for any expense incurred. All such amounts shall be deemed to be additional rent and shall be collectible as such.
9. Use. The parties agree that the Demised Premises shall be used by Lessee or its designated affiliate (i) as a base for housing and maintaining corporate aircraft owned or operated by it or those with whom it does business; (ii) for hangar rental to the public. Lessee agrees to abide by the Minimum Requirements and Standards for Commercial Aeronautical Activities at the Easton Airport (the "Standards") currently in effect and as the same may be amended from time to time; provided, however, that Lessee's liability shall be those limits as stated in the Standards. Lessee shall obtain all required permits, licenses, certificates, or other approvals as may be necessary from time to time to conduct or engage in any business operation or sale on or at the Demised Premises. All such

activities shall be subject to the prior written consent by Lessor, which consent shall not be unreasonably withheld.

10. Expiration of Term. Upon the expiration of the term hereinabove set forth or upon this Lease's earlier termination for breach of any covenants or conditions, including the covenant to pay rent as hereinabove set forth after expiration of the grace and cure periods set forth in Section 20 hereof, the improvements constructed on the Demised Premises shall become the sole property of Lessor and upon the expiration of the term herein set forth or the sooner termination of this Lease Agreement, Lessee agrees to vacate the premises and remove therefrom all property which may be removed under the terms hereof.
11. Loss or Damage. Lessor will not be responsible for any loss or damage to any aircraft or other tangible or intangible personal property in or on the Demised Premises. If the facilities constructed on the Demised Premises shall be damaged or destroyed by fire, flood, wind or other casualty, Lessee shall replace or restore such facilities to a condition at least equal to that which existed prior to such casualty. The insurance obtained by Lessee pursuant to Section 5 hereof shall be sufficient to protect any and all property belonging to Lessee, Lessor, and any third party. Lessee, for itself and its successors and assigns, agrees to indemnify and save harmless the Lessor from any claims, suits, demands, actions, or causes of action, or liability of any kind for injury, damage, or loss, including reasonable attorneys fees and litigation costs, claimed, suffered, or incurred by any one, including death, personal injury, and property damage of any kind, nature, or description arising out of or related to the use, condition, or activities in, upon, over, under, or around the Demised Premises.
12. Compliance with Laws. Lessee shall comply fully with all applicable Federal, State, and Local laws, ordinances, codes and regulations throughout the term of this Lease Agreement. Continued non-compliance therewith for a period of 30 days after written notice shall constitute grounds for termination of this Lease; provided, however, Lessor shall not terminate this Lease if, after notice, Lessee is diligently pursuing such compliance and if non-compliance does not materially affect Lessor.
13. Alterations and Modifications. The Lessee agrees not to make any material modification, additions, and/or other changes to the improvements to be constructed on the Demised Premises, including any electrical, mechanical, heating, ventilating, air conditioning or any other system, or to use other than installed heating devices, without first obtaining written permission from the Lessor, which permission shall not be unreasonably withheld or delayed. The Lessor and Lessee will jointly inspect improvements on an annual basis, at which time any alterations

may be formally approved, or disapproved by the Lessor. Lessee, at Lessee's sole expense, agrees to promptly remove any material modification, additions, and/or other changes disapproved by Lessor.

14. Waivers. Failure of either party to insist, in one or more instances, upon strict performance of any obligation of this Lease Agreement or to exercise any right or option herein appearing, shall not be construed as a waiver or relinquishment of such obligation, right or option, but the same shall continue and remain in full force and effect. No waiver by either party of any part of this Lease Agreement shall be deemed to have been made unless it has been expressed in writing and delivered to the other party.
15. National Emergency. During time of war or any national, State, or local emergency, Lessor retains the right to permit use of the Airport, or any part thereof, including the Demised Premises, by the United States Government, any State agency, Talbot County, or any agent thereof. If any such use impinges upon the provisions of this Lease Agreement, this Lease shall be suspended for the duration of such use and reinstated thereafter upon the same terms and conditions with a pro-rata abatement of rent.
16. Subordination of Agreement. This Agreement shall be subordinate to the provisions of any present or future agreement between Lessor and the United States or the State of Maryland relative to the development, maintenance, or operation of the Airport, the execution of which has been or may be required as a condition precedent to obtaining or continuing Federal or State funding. Lessee agrees to execute and deliver such other and additional documents, upon such terms and conditions, and in form satisfactory to Lessor, as Lessor may deem necessary or desirable from time to time. Lessee hereby acknowledges, represents, and warrants that this Lease Agreement does not now, and will not in the future, contravene the terms and conditions of any such agreement.
17. Assignment and Sale. Lessee agrees that it will not assign, re-lease, sublet, or transfer the whole or any part of the Demised Premises or improvements constructed thereon, except to an affiliate without first obtaining the written consent of Lessor, which consent shall not be unreasonably withheld. Any such transfer shall be embodied in a written agreement under which the transferee shall assume all obligations of Lessee and provided, further, that any such transfer shall not release Lessee or any guarantor or surety from any of its obligations hereunder.
18. Right of First Refusal. Should Lessee seek to sell, assign, transfer, or sublet its hangar or related improvements to any party other than an affiliate of Lessee, or in any other way divest itself of control over same,

Lessor shall have the right of first refusal for a period of sixty days to enter into a written agreement upon the same terms offered to Lessee by any other bona fide purchaser, assignee, transferee, or lessee. Lessee shall give Lessor written notice of its offer to sell, assign, transfer, or sublease, any acceptance by any third party, all agreements, terms, provisions, contingencies, covenants, and other terms relating to the proposed transaction, its bona fides, and all other information concerning the proposed transaction that Lessor may request. Lessor's sixty-day acceptance period begins to run from the date Lessee provides Lessor with all of the foregoing information.

19. Non-discrimination. Lessee, for itself, its successors in interest, or assigns, as a part of the consideration hereof, does hereby covenant and agree that: (1) no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of the Demised Premises or the improvements or equipment located thereon; (2) that, in the construction of any improvements on, over, or under such land and the furnishing of services thereon, no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination; and (3) that Lessee shall use the Demised Premises in compliance with all other requirements imposed by or pursuant to Title 49, Code of Federal Regulation, Department of Transportation, Subtitle A, Office of the Secretary, Part 21, Non-discrimination in Federally-assisted programs of the Department of Transportation-Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended. In the event of breach of any of the above non-discrimination covenants, Lessor shall have the right to terminate the Lease and re-enter and repossess the Demised Premises and hold the same as if said Lease had never been made or issued.
20. Successors and Assigns. The covenants, conditions and agreements contained herein shall bind and inure to the benefit of the parties and their respective successors and assigns; provided, however, that Lessee may not assign or transfer its rights hereunder without the prior written consent of Lessor pursuant to Section 16 above.
21. Bankruptcy. Should Lessee file any petition or institute any voluntary proceedings, or be named in any involuntary proceedings under the Bankruptcy Act, either as such Act now exists or under any amendment thereof which may hereafter be enacted, or under any other Act or Acts, either as a bankrupt or as an insolvent, wherein or whereby Lessee seeks to be adjudicated as bankrupt or to be discharged from any or all of its debts, or to effect a plan of reorganization, or for any other similar relief, or if any such petition or proceedings of the same or similar kind or character shall be filed or taken against Lessee, or if any receiver for all or

a substantial part of the business of Lessee shall be appointed by any court, and such petition or proceeding shall not be set aside or dismissed or the appointment of said receiver revoked within thirty (30) days, then, in any of such events, Lessor may, at Lessor's option, cancel and terminate this Lease Agreement on the giving to Lessee of a thirty (30) day notice in writing.

22. Right of re-entry. It is further agreed that, if the rent shall be twenty-five (25) days in arrears, Lessor shall have the right to distrain for the same, and to re-enter and take possession; and if the Lessee shall violate any of the foregoing covenants, the Lessor shall have the right to re-enter and take possession; provided, however, that except for the non-payment of rent, in no event shall Lessor exercise its remedies for default hereunder, unless and until Lessor shall have given Lessee written notice of such default, and the default shall remain uncured for a period of thirty (30) days after receipt by Lessee of such written notice.
23. Lessee's covenants. Lessee hereby covenants with the said Lessor to pay the rent as aforesaid, to keep and maintain the premises in good order, and to surrender the peaceful and quiet possession of the same at the end of the said term, in as good condition as when received (the natural wear and decay of the property and improvements thereon excepted). Lessee represents and warrants, both at the time of execution of this Agreement and throughout its term, that it is and will remain duly incorporated, that it is authorized according to its charter, by-laws, and/or other organizational documents and agreements, if any, to enter into this Lease Agreement, that all conditions, approvals, and consents shall have been validly provided and obtained, and that its corporate officer(s) shall have validly obtained actual corporate authority from the Lessee to execute any and all documents required by Lessor.
24. Default. It is mutually agreed that if the Lessee shall be in default in performing any of the terms or provisions of this Lease Agreement other than the provisions requiring the payment of rent, and if the Lessor shall give to the Lessee notice in writing of such default, and if the Lessee shall fail to cure such default within thirty (30) days after the date of receipt of such notice, or, if the default is of such a character as to require more than thirty (30) days to cure, then if Lessee shall fail to use reasonable diligence to cure such default, then and in any such events the Lessor may cure such default for the account of and at the cost and expense of the Lessee, and the sum so expended by the Lessor shall be deemed to be additional rent and on demand shall be paid in full by the Lessee on the day when rent shall next become due and payable.
25. Option to Renew. Provided that Lessee shall not be in default on any of the covenants on its part herein made, including the covenant to pay rent

as aforesaid, Lessor does hereby grant unto Lessee an option to renew for an additional period of five (5) years upon the same terms and conditions as herein above set forth, for "Fair Market Value", as hereinafter defined. Fair Market Value shall be as mutually agreed by Lessor and Lessee. If Lessor and Lessee are unable so to agree, Lessor and Lessee shall each, at its own expense, appoint a qualified independent party to appraise the premises for fair market rental value. Fair Market Value shall be as agreed by such appraisers, or if they are unable so to agree, as determined by a third appraiser designated by their mutual agreement. The cost of any such third party appraisal shall be borne equally by Lessor and Lessee. Lessee may exercise this option to renew by delivering to Lessor written notice of its intention to renew this Lease on or before March 31, 2038. Time is of the essence, and the failure to deliver said notice on or before March 31, 2038 shall operate as a waiver of the option to renew.

26. Notices. All notices to be given by either party to the other hereunder shall be in writing and shall be delivered in person or given by U.S. registered or certified mail, postage prepaid, return receipt requested, addressed as follows or to such other address as the party in question may specify in a written notice to the party giving notice:

TO LESSOR: Easton Airport Manager  
29137 Newnam Road, Unit 1  
Easton, Maryland 21601

TO LESSEE: Dragonfly Court, LLC  
Attn: James Katra  
7891 Fort Stokes Lane  
Easton, Maryland 21601

All notices shall be deemed given on the date said notice is deposited in the U.S. Mail or hand-delivered. The parties' respective attorneys may give notices on their behalf.

27. Taxes. Lessee understands that its hangar and related improvements located on the Demised Premises will be subject to State and local real estate taxes. Lessee covenants and agrees that it will pay all such real estate taxes imposed by the State, the Town of Easton or Talbot County, and will not seek or accept any exemption therefrom.
28. Compliance with Art. 25A § 5 (B), Md. Ann. Code. Lessee acknowledges that Lessor's ability to lease public property is governed by Article 25 A. § 5 (B) Md. Ann. Code and that section requires advertisement and an opportunity for the general public to comment on the subject lease prior to Lessor's decision to enter into this Agreement. Lessee acknowledges that by exercising any Option associated with this Lease Agreement, or by

executing and delivering a copy of this Lease, the procedure required by the foregoing section of the Maryland Annotated Code will be implemented. Lessee acknowledges that Lessor's ultimate decision to enter into the attached Lease Agreement will include consideration of public comment, if any, and that Lessor has no obligation and no power to accept this Lease Agreement prior to or absent fulfillment of the advertisement and public hearing required by the foregoing statute. In the event Lessor declines or fails to accept this Lease for any reason, Lessee shall have no claim or other recourse against Lessor.

29. Entire agreement. This Lease Agreement contains the entire understanding between the parties concerning the subject matter. There are no other promises, covenants, warranties, undertakings, or understandings other than as set forth herein. All prior or contemporaneous discussions, negotiations, or representations are merged herein.
30. Governing law. This Lease Agreement shall be construed and governed according to the laws of the State of Maryland.
31. Additional documents. Lessee agrees to execute such other, additional documents as Lessor may request from time to time if Lessor, in the exercise of its discretion, determines that the execution of the same is necessary or desirable to effect, enforce, or ratify any term, covenant, condition, promise, or undertaking of this Lease Agreement.
32. Personal Guarantee – James Katra, (hereinafter Guarantor), does hereby personally guarantee the performance of all terms, conditions, covenants, undertakings, and obligations with regard to this Lease Agreement. In the event that Dragonfly Court, LLC, its successor, assignee, or subtenant fails to make any payment to Talbot County, Maryland, or fails to perform in any manner with regard to said Lease Agreement between the two entities, the Guarantor does hereby promise to make all payments and perform all other obligations in the same manner as if he were the principal of said Agreement.

IN WITNESS WHEREOF, Lessor and Lessee have duly executed and affixed their respective seals to this Agreement on the day and year indicated.

ATTEST:

LESSOR:  
TALBOT COUNTY, MARYLAND

\_\_\_\_\_

\_\_\_\_\_(SEAL)  
By: R. Andrew Hollis  
County Manager

ATTEST:

LESSEE:  
DRAGONFLY COURT, LLC

\_\_\_\_\_

\_\_\_\_\_(SEAL)  
By: James Katra, Managing Member

WITNESS:

GUARANTOR

\_\_\_\_\_

\_\_\_\_\_(SEAL)  
James Katra

STATE OF MARYLAND, COUNTY OF TALBOT, TO WIT:

I HEREBY CERTIFY, that on this \_\_\_\_\_ day of \_\_\_\_\_ 2008, before me, a Notary Public of the State of Maryland, personally appeared **JAMES KATRA** who acknowledged himself to be a Managing Member of Dragonfly Court, LLC, a Maryland limited liability company, and that he, as such Managing Member, being authorized so to do, executed the foregoing Lease Agreement for the purposes therein contained, and further did certify said Lease Agreement to be the valid and proper act of said limited liability company.

AS WITNESS my hand and Notarial seal.

\_\_\_\_\_  
Notary Public

My commission expires: \_\_\_\_\_

STATE OF MARYLAND, COUNTY OF TALBOT, TO WIT:

I HEREBY CERTIFY, that on this \_\_\_\_\_ day of \_\_\_\_\_ 2008, before, me, a Notary Public in and for the State and County aforesaid, this personally appeared **R. ANDREW HOLLIS**, who acknowledged himself to be Talbot County Manager, and that he, as such Talbot County Manager, being authorized to do so,

executed the foregoing instrument for the purposes therein contained by signing on behalf of Talbot County, Maryland.

\_\_\_\_\_  
Notary Public

My commission expires: \_\_\_\_\_

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