

COUNTY COUNCIL
OF
TALBOT COUNTY, MARYLAND

2018 Legislative Session, Legislative Day No.: December 11, 2018

Resolution No.: 267

Introduced by: Mr. Callahan, Mr. Divilio, Mr. Leshner, Mr. Pack, Ms. Price

A RESOLUTION TO APPROVE EXECUTION OF A SIX MONTH OPTION TO LEASE AS WELL AS THE TERMS OF A LONG-TERM LEASE OF A PORTION OF UNIMPROVED LAND AT THE EASTON AIRPORT, DESCRIBED AS “SPOT 50” AND ‘LOWER Ts”, WHICH IS APPROXIMATELY NINETEEN THOUSAND EIGHT HUNDRED AND SIX (19,806) SQUARE FEET, FOR A POSSIBLE TERM OF THIRTY (30) YEARS WITH AN OPTION FOR TWO (2) 5-YEAR RENEWALS, WITH RENT OF NINETEEN THOUSAND EIGHT HUNDRED AND SIX (\$19,806) PER YEAR SUBJECT TO ANNUAL ESCALATION IN AN AMOUNT EQUAL TO THE PERCENTAGE INCREASE IN THE CONSUMER PRICE INDEX AND WITH A REQUIREMENT THAT THE TENANT, SKY HARBOUR ESN, LLC, CONSTRUCT FIVE (5) BOX HANGARS AND EIGHT (8) NESTED T-HANGARS THAT WILL BECOME THE PROPERTY OF EASTON AIRPORT AT THE EXPIRATION OR EARLIER TERMINATION OF THE LEASE

By the Council: December 11, 2018

Introduced, read the first time, and ordered posted, with Public Hearing scheduled on Tuesday, January 8, 2019 at 6:30 p.m. in the Bradley Meeting Room, South Wing, Talbot County Courthouse, 11 N. Washington St., Easton, Maryland 21601.

By order: 

A RESOLUTION TO APPROVE EXECUTION OF A SIX MONTH OPTION TO LEASE AS WELL AS THE TERMS OF A LONG-TERM LEASE OF A PORTION OF UNIMPROVED LAND AT THE EASTON AIRPORT, DESCRIBED AS “SPOT 50” AND ‘LOWER Ts”, WHICH IS APPROXIMATELY NINETEEN THOUSAND EIGHT HUNDRED AND SIX (19,806) SQUARE FEET, FOR A POSSIBLE TERM OF THIRTY (30) YEARS WITH AN OPTION FOR TWO (2) 5-YEAR RENEWALS, WITH RENT OF NINETEEN THOUSAND EIGHT HUNDRED AND SIX (\$19,806) PER YEAR SUBJECT TO ANNUAL ESCALATION IN AN AMOUNT EQUAL TO THE PERCENTAGE INCREASE IN THE CONSUMER PRICE INDEX AND WITH A REQUIREMENT THAT THE TENANT, SKY HARBOUR ESN, LLC, CONSTRUCT FIVE (5) BOX HANGARS AND EIGHT (8) NESTED T-HANGARS THAT WILL BECOME THE PROPERTY OF EASTON AIRPORT AT THE EXPIRATION OR EARLIER TERMINATION OF THE LEASE

WHEREAS, Local Government Article § 10-312 (formerly Article 25A § 5 (B)) Md. Ann. Code requires a public hearing to provide the public an opportunity to comment upon proposed leases of real property owned by Talbot County; and,

WHEREAS, Talbot County has properly advertised the proposed transactions for a public hearing to receive public comment;

NOW, THEREFORE, BE IT RESOLVED, by the County Council of Talbot County, Maryland that:

1. The terms of the Option to Lease Real Estate (attached hereto as Exhibit “1” and incorporated by reference herein) and the terms of the Lease Agreement (attached hereto as Exhibit A to Exhibit 1), shall be and are hereby APPROVED; and,
2. The County Manager is hereby authorized and directed to execute the Option to Lease Real Estate on behalf of Talbot County, Maryland, immediately and the Lease Agreement during the term of the Option, if such Option is exercised by Sky Harbour ESN LLC, or its’ successors or assigns.

PUBLIC HEARING

Having been posted and Notice of time and place of hearing and Title of Resolution No. _____ having been published, a public hearing was held on _____ at _____ p.m. in the Bradley Meeting Room, South Wing, Talbot County Courthouse, 11 North Washington Street, Easton, Maryland 21601.

BY THE COUNCIL

ENACTED: _____

By Order _____
Secretary

Pack -

Divilio -

Callahan -

Price -

Leshar -

OPTION TO LEASE REAL ESTATE

THIS OPTION to Lease Real Estate ("Agreement ") is entered into as of the _____ day of _____, 2018 ("Effective Date") by and between Talbot County, Maryland, a charter county and political subdivision of the State of Maryland, ("Grantor") and Sky Harbour ESN LLC, a Delaware limited liability company with its principal offices at 767 5th Ave., 21st Floor, New York, NY 10153 ("Grantee").

WITNESSETH

For and in consideration of the sum of one Dollar (\$1.00) and other good and valuable consideration in hand paid to Grantor, the receipt and sufficiency of which are hereby acknowledged, Grantor and Grantee do hereby agree as follows:

1. Grant of Option. Subject to the terms and conditions set forth in the attached lease agreement, affixed hereto as Exhibit "A" ("Lease Agreement"), which is incorporated by reference herein, Grantor does hereby grant and convey to Grantee an option (the "Option") to lease the real property owned by Grantor at the Easton Airport located in the Town of Easton, Talbot County, Maryland, adjacent to "Spot 50" and "Lower Ts" " consisting of approximately Nineteen Thousand Eight Hundred and Six square feet (19,806 s.f.), as shown on a drawing by AECOM Airport Consultants, Inc., attached hereto as Exhibit "B" which is incorporated by reference herein (the "Property").

2. Option Term. The Option commences on the Effective Date and expires on the date that is the six-month anniversary of the Effective Date ("Term"). Grantor may terminate this Option prior to expiration of the term in the event Grantee fails to perform or breaches any term, condition, or covenant herein, provided that Grantor has given Grantee written notice of such default and Grantee has not cured such default within 30 days of receipt of notice and provided further that this Option will not terminate after such 30 days if, after notice, Grantee is diligently pursuing such compliance and if non-compliance does not materially and adversely affect Lessor. Additionally, if another entity desires to lease "Spot 50" and/or "Lower Ts" and makes a written offer to Grantor with at least comparable material terms as included in the Lease Agreement, Grantee shall have 60 days upon delivery of written notice by Grantor of such offer to exercise the Option and enter into the Lease Agreement. If Grantee fails to exercise the Option within the aforementioned 60-day time period, the Option becomes null and void.

3. Term and Exercise of Option: Lease Agreement. Grantee may exercise the Option granted hereby by execution and delivery of the attached Lease Agreement to Grantor during the term of this Option. Failure to exercise the Option within its Term shall automatically terminate this Option without further notice and without formal execution of any additional documents. In that event, this Option shall lapse and be of no further force or effect, and neither Grantor nor Grantee shall have any rights or obligations hereunder. Grantee acknowledges that Grantor's ability to lease public property is governed by Local Government Article § 10-312, Md. Ann. Code, and that section requires advertisement and an opportunity for the general public to comment on this Option and the proposed lease. Grantor shall promptly and diligently

undertake the procedure required by the foregoing section. Grantee acknowledges that the procedure required by the foregoing section of the Maryland Annotated Code will be implemented.

4. Grantee's Representations and Warranties. Grantee represents and warrants that it is duly incorporated at the time of execution of this Option and will be at the time of the exercise of the Option, and that it has the legal right, power, and authority to execute and deliver this Option and, if applicable, Lease Agreement, and consummate the transactions contemplated hereby without the consent of any other party, any action by shareholders, directors, or others and that, if such action is required, that it has been or will have been completed prior to the consummation of any transaction authorized or contemplated herein.

5. Binding Effect and Assignability. This Option shall be binding upon and inure to the benefit of the parties hereto, their respective successors, assigns, heirs, estates, and legal and personal representatives. This Option may not be assigned by Grantee without the Grantor's prior written consent.

6. Entire Agreement. This Agreement contains the entire understanding between the parties concerning the subject matter. There are no representations, warranties, undertakings, promises, terms, covenants, conditions, or agreements other than as set forth herein. All prior or contemporaneous discussions, negotiations, representations and agreements are merged herein.

7. Governing Law. This Agreement shall be construed and interpreted according to the laws of the State of Maryland.

8. Waiver of Trial by Jury. Grantor and Grantee each hereby waive trial by jury in any action, proceeding or counterclaim brought by either of them against the other in connection with any matter arising out of or in any way connected with this Option.

9. Counterparts and Electronic Transmission. This Option may be executed in any number of counterparts, each of which so executed and delivered shall be deemed to be an original and all of which shall constitute one and the same instrument. Each counterpart may be delivered by electronic transmission, and will have the same force and effect as an original signature page. The signature page of any counterpart may be detached therefrom without impairing the legal effect of the signature(s) thereon provided such signature page is attached to any other counterpart identical thereto.

10. Notices. All notices given pursuant to this Agreement shall be in writing and deemed given when personally delivered to the party to whom such notice is directed or, in lieu of personal delivery, on the second business day after the same is deposited in US mail, postage prepaid, registered or certified, return receipt requested or on the first business day after the same is deposited with a reputable, national overnight delivery service with next business day service requested, and addressed as follows:

Grantor:

Micah Risher, Airport Manager
29137 Newnam Road
Easton, MD 21601

Grantee:

Sky Harbour ESN LLC
767 5th Avenue, 21st Floor
New York, NY 10153

With a copy to:

R. Andrew Hollis, County Manager
11 N. Washington St.
Easton, MD 21601

IN WITNESS WHEREOF, the parties have hereunto affixed their hands and seals on the date(s) indicated.

[SIGNATURE PAGE FOLLOWS]

ATTEST:

“GRANTOR”
TALBOT COUNTY, MARYLAND

Susan Moran, Secretary

By: R. Andrew Hollis
County Manager

State of Maryland
County of TALBOT

Before me, the undersigned, a Notary Public in and for the State and County aforesaid, personally appeared R. ANDREW HOLLIS, known to me, or satisfactorily proven, to be a duly authorized officer or principal of TALBOT COUNTY, MARYLAND, who made oath in due form of law that he is authorized to execute the foregoing on behalf of TALBOT COUNTY, MARYLAND, and that he voluntarily executed the foregoing for the purposes therein contained.

Notary Public

My commission expires:

[SIGNATURES CONTINUE ON FOLLOWING PAGE]

ATTEST:

“GRANTEE”
SKY HARBOUR ESN, LLC

_____ N/A

By: Neil Szymczak
Regional Director of Operations
Sky Harbour LLC

State of Maryland
County of _____

Before me, the undersigned, a Notary Public in and for the State and County aforesaid, personally appeared NEIL RALPH SZYM CZAK, known to me, or satisfactorily proven, to be a duly authorized officer or principal of Sky Harbour ESN LLC, who made oath in due form of law that he/she is authorized to execute the foregoing on behalf of Sky Harbour ESN LLC, and that he/she voluntarily executed the foregoing for the purposes therein contained.

Notary Public

My commission expires: Feb 03, 2022

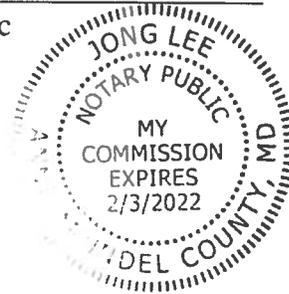


Exhibit A

to

EXHIBIT 1

LEASE AGREEMENT

THIS LEASE AGREEMENT, made this _____ day of _____, 20__ (“Lease Agreement”), by and between Talbot County, Maryland, a charter county and political subdivision of the State of Maryland, hereinafter called “Lessor” and Sky Harbour ESN LLC, a Delaware limited liability company with its principal place of business at 767 5th Ave, 21st Floor, New York, NY 10153, hereinafter called “Lessee.”

WHEREAS, Lessor owns certain real property located at 29137 Newnam Road, Easton, Maryland 21601, known generally as the Easton Airport, a part of which, described as “Spot 50” and “Lower Ts”, it desires to lease to Lessee, as set forth herein, for the construction thereon by Lessee of certain Improvements (as hereinafter defined).

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, located in the Town of Easton, Talbot County, Maryland, being more particularly described as two parcels totaling Nineteen Thousand Eight Hundred and Six (19,806) square feet, whose dimensions and location are depicted on Schedule "A" attached hereto and incorporated by reference herein, (the "Demised Premises").

1. 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	\$1,650.50	\$19,806.00

2. CPI Elevator. Each year, on July 1st, the Rent shall automatically escalate in accordance with this Section. A consumer price index (CPI) multiplier shall be added to the annual rent for each successive year, not to exceed 5%. The CPI multiplier shall be equal to the annual percentage increase (12 months prior to the July 1st escalation date) in the Consumer Price Index for all Urban Consumers or for Urban Wage Earners and Clerical Workers, Washington-Baltimore local area, all items, whichever is greater, as published on the internet or in the most recent Bureau of Labor and Statistics publication. As an example, if the CPI multiplier is 2% for 2019, year 2 annual rent would increase from \$19,806 to \$20,202.12. This process shall be repeated annually for the entire term of the Lease.
3. Term. The term of this Lease Agreement shall be thirty (30) years, commencing on the _____ day of _____, 20__, and terminating on the _____ day of _____, 20__, subject to the option to renew in Section 30 below (“Term”).

4. Rent Payment Commencement. Lessee shall begin paying Rent the day of Construction Commencement (“Rent Commencement Date”).
5. Construction of Improvements. Lessee shall construct on the Demised Premises, at its sole expense, the Improvements according to the design, plans, and specifications to be approved in writing, in advance by Lessor, which approval shall not be unreasonably withheld, conditioned or delayed. Prior to constructing the Improvements, Lessee shall submit design, plans, and specifications to Lessor. In the event that Lessee does not provide a written response to Lessee within 15 days of Lessee’s written submission, such design, plans and specifications shall be deemed approved for purposes of complying with the Standards. From and after Lessor’s notice to Lessee that the design, plans, and specifications have been approved or from and after the date of deemed approval by Lessor, such design, plans, and specifications shall be the “Approved Plans”. Notwithstanding the foregoing, any deemed approval by Lessor shall not mean approval for purposes of any building permits required for construction.

“Construction Commencement” shall mean the date construction of the Improvements begins on the Demised Premises. Said construction, which shall be subject to ongoing monitoring and inspection by Lessor, shall be completed no later than 12 months after Construction Commencement, subject to Force Majeure (as hereinafter defined in Section 37).

Lessee agrees to retain qualified professional architects/engineers, contractors and/or subcontractors, inspectors or others, as necessary, to design, engineer, and construct two (2) hangar developments: (i) five (5) box hangars with a total structural dimension of 240 ft. by 40 ft. and (ii) eight (8) nested T-hangars with total structural dimensions of 189 ft. by 54 ft. (the “Improvements”) in accordance with the Approved Plans. A concept plan showing a proposed version of the Improvements is attached hereto as Schedule “B”. The Improvements shall include electrical, mechanical, heating, ventilating, and air conditioning systems, and all accessory parts or components. All costs incurred to plan, design, engineer, create, permit, 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 in compliance with the Approved Plans unless waived or modified by Lessor. The parties acknowledge that following completion of the Improvements, Lessee shall hold title to the Improvements until the expiration of the Term at which time title shall revert to Lessor.

6. Quiet Enjoyment. Upon the execution of this Lease Agreement by both parties, Lessor shall provide Lessee with possession of the Demised Premises and the use and quiet enjoyment thereof.
7. Insurance. Lessee agrees to carry and maintain appropriate property, liability, fire, contents, and casualty insurance together with such endorsements in such form and amounts in accordance with the Airport's Minimum Requirements and Standards for Commercial Aeronautical Activities at the Easton Airport and the corresponding promulgated rules and regulations then in effect (the "Standards"). Lessee shall cause its insurance carriers to name Lessor as an additional insured party on each such policy. Except for Lessor's gross negligence or willful misconduct, 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 Demised Premises, including loss of use or profits and including property or items placed, kept, or stored on the Demised Premises by third persons.
8. 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, and sanitary sewer or septic systems.
9. 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, in the event that Lessee fails to make any necessary repair to maintain the Demised Premises in good condition and repair within thirty (30) days' written notice from Lessor, Lessor may perform any such maintenance itself and bill Lessee for any out-of-pocket, reasonable expense incurred. All such amounts shall be deemed to be additional rent and shall be collectible as such.
10. Snow Removal: Lessor shall be responsible for clearing snow in the vicinity of the hangar aprons or any associated parking lots.
11. Fuel. The parties understand and agree that, in consideration of the rental rates and other commitments set forth herein, provided that Lessee qualifies and continues to qualify under any applicable criteria, rules, or regulations, including without limitation the Standards, adopted and amended from time to time, Lessee or its designated affiliate may at its option request to be classified as a fixed base operator and, if approved, shall be entitled to purchase fuel from the Airport at the rate charged to fixed base operators and shall be entitled to sell such fuel to the public.

Lessee understands and agrees that its handling of fuel, including the use of its truck or other forms of delivery, shall be subject to Lessor's safety and other regulations applicable generally to fuel sales at the Airport, including the Standards. Lessee releases, waives, relinquishes and remises any and all claims, suits, demands, actions or causes of action for injuries, losses, or damages against Lessor arising out of or in any way related to the use, purchase, transportation, delivery, tank truck or aircraft fueling, or sale of aircraft fuel.

12. 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 the sale of aviation fuel to the public in accordance with Section 11 above; and (iii) for hangar rental to the public. Lessee agrees to abide by the Standards, and 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 conducted 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, conditioned or delayed. Lessee is granted the non-exclusive use of all portions of the Airport that are open for use by the public, including taxiways, runways, aprons, navigational aids and facilities for the purpose of landings, takeoffs and taxiing of aircraft, on the same terms and conditions applicable to the public.
13. Expiration of Term. Upon the expiration of the Term hereinabove set forth or upon this Lease Agreement's earlier termination for breach of any covenants or conditions, including the covenant to pay rent as hereinabove set forth after expiration of the applicable grace and cure periods set forth in this Lease Agreement, 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 Demised Premises and remove therefrom all property which may be removed under the terms hereof.
14. Loss or Damage. Except for gross negligence or willful misconduct on part of Lessor, 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, subject to the requirements of any Leasehold Mortgage:
 - a. If less than twenty-five percent (25%) of the square footage of the Improvements have been damaged or destroyed, and adequate funds are available from the insurance acquired pursuant to the terms hereof to effect such repair or restoration, and such repairs or reconstruction of any such damage or destruction can be made under

then existing laws, ordinances, statutes or regulations of any governmental authorities applicable thereto (or can be so made with minor and nonmaterial changes to the former condition and form of property damaged or destroyed), Lessee shall effect, and funds derived from insurance acquired pursuant to the terms hereof shall be made available to effect, such repair and reconstruction of the structure or improvement so damaged or destroyed to substantially its condition prior to said damage or destruction, with such alterations thereto as Lessee shall reasonably determine prudent or valuable under the circumstances, including any changes required to comply with applicable law and the then prevailing construction practices or financial or other market conditions applicable to the Demised Premises, provided that such alterations are subject to the Lessor's approval, which shall not be unreasonably withheld, conditioned or delayed.

- b. If twenty-five percent (25%) or more of the square footage of the Improvements have been damaged or destroyed, or if less than twenty-five percent (25%) have been damaged or destroyed but available insurance proceeds are not sufficient to effect the repairs or reconstruction described in the prior paragraph, or if such reconstruction or rebuilding cannot be made under then existing laws, ordinances, statutes or regulations of any governmental authority applicable thereto (and cannot be so made with minor and nonmaterial changes to the former condition and form of the property damaged or destroyed), then the Lessee shall have the right to terminate this Lease Agreement by notice to the Lessor within 120 days after Lessee shall have received sufficient information to determine the same. In the event that available proceeds are not sufficient, Lessee shall provide Lessor with evidence reasonably satisfactory to Lessor of such insufficiency of proceeds.

Notwithstanding the foregoing, if during the last five (5) years of the Term, ten percent (10%) or more of the square footage of the Improvements have been damaged or destroyed, , or if less than ten percent (10%) have been damaged or destroyed but available insurance proceeds are not sufficient to effect the repairs or reconstruction described in paragraph (a) above, or if such reconstruction or rebuilding cannot be made under then existing laws, ordinances, statutes or regulations of any governmental authority applicable thereto (and cannot be so made with minor and nonmaterial changes to the former condition and form of the property damaged or destroyed), then Lessee may elect to terminate the Term and, in such event, Lessee shall give notice to Lessor of its election within sixty (60) days after Lessee shall have received sufficient information to determine the same and the Term shall thereupon terminate as of the date of such notice. In the event that available proceeds are not sufficient, Lessee shall provide Lessor with evidence reasonably satisfactory to Lessor of such insufficiency of proceeds.

15. Condemnation. If all of the Demised Premises is condemned by a public entity other than the Lessor, in the lawful exercise of the power of eminent domain, this Lease Agreement terminates upon the date possession is taken by the public entity. If only a part is condemned and the taking of that part does not substantially impair the capacity of the remainder to be used for the purposes allowed by this Lease Agreement as reasonably determined by Lessee, Lessee continues to be bound by the terms, covenants and conditions of this Lease Agreement, except the monthly Rental will be reduced in proportion to the relationship that the compensation paid by the public entity for the portion of the Demised Premises condemned bears to the value of the whole of the Demised Premises as of the date possession of the part is taken by the public entity.

If only a part is condemned and the taking of the part substantially impairs the capacity of the remainder to be used for the purposes allowed by this Lease Agreement as reasonably determined by Lessee, Lessee may give notice to the Lessor within thirty (30) days of the date possession of the part is taken by the public entity that Lessee will:

- a. Terminate this Lease Agreement and have no further obligations under this Lease which have not accrued on the date the public entity takes possession; or
- b. Continue to occupy the remainder of the Demised Premises and remain bound by this Lease Agreement. If Lessee elects to continue to occupy the remainder, the monthly Rent is reduced in proportion to the relationship that the compensation paid by the public entity for the portion of the Demised Premises condemned bears to the value of the whole of the Demised Premises as of the date possession of the part is taken by the public entity.

Lessee and Leasehold Mortgagee, if any, are entitled to share in any condemnation award for the value of its leasehold interest, if any, as determined by law in the condemnation proceeding.

16. Compliance with Laws. Lessee shall comply with all applicable federal, State, and local laws, ordinances, codes and regulations throughout the Term, including without limitation, the Standards. Continued non-compliance therewith for a period of (thirty)30 days after written notice shall constitute grounds for termination of this Lease Agreement; provided, however, Lessor shall not terminate this Lease Agreement if, after notice, Lessee is diligently pursuing such compliance and if non-compliance does not materially and adversely affect Lessor.
17. 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 without first obtaining written permission from the Lessor, which permission shall not be unreasonably withheld, conditioned or delayed. The Lessor and Lessee

will jointly inspect the Improvements on an annual basis, at which time any alterations may be formally approved, or disapproved by the Lessor.

18. 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.
19. 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 Agreement 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.
20. Subordination of Agreement. This Lease 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 additional documents as Lessor may reasonably deem necessary in connection with such agreement with the United States or the State of Maryland.
21. Assignment and Sale. Lessee agrees that it will not assign or transfer this Lease, except:
 - a. to an Affiliate (as defined below);
 - b. any Leasehold Mortgagee, or any purchaser at a foreclosure sale or similar pursuant to the terms of a Leasehold Mortgage; or
 - c. to any entity acquiring, in a single transaction or series of related transactions, a portfolio of properties from Lessee and/or Affiliates of Lessee;

without first obtaining the written consent of Lessor, which consent shall not be unreasonably withheld, conditioned or delayed. Any such assignment or transfer shall be embodied in a written agreement under which the transferee shall assume all obligations of Lessee. For purposes of this Section, "Affiliate" shall mean any person or entity into or with

which Lessee shall be merged or consolidated, or to which substantially all of the assets or ownership interests of Lessee may be transferred, or a person or entity which shall control, be controlled by, or be under common control with Lessee. Lessee shall provide Lessor advanced written notice of any transfer to an Affiliate and upon Lessor's request, furnish Lessor with any information reasonably needed to confirm the transferee's status as an Affiliate.

22. Subletting. Lessee may, from time to time, without Lessor's consent, sublease, license, grant concessions or other rights to use, all or any parts of the Demised Premises (including, without limitation, all or any portion of the Improvements) for any time or times during the Term not to exceed the Term of this Lease (each, a "Sublease"), provided that such Sublease shall be subject to the Standards.

Subject to the rights of any Leasehold Mortgagee to require assignment of rents, if this Lease shall terminate by reason of a default by Lessee under this Lease Agreement, Lessee shall be deemed to have assigned to Lessor, and Lessor shall be deemed to have accepted such assignment of, all right, title and interest of Lessee as sub-landlord under any and all Subleases, together with all modifications, extensions and renewals thereof then in effect, and such Subtenant shall attorn to Lessor and Lessor shall recognize such Subtenant as its direct tenant, pursuant to the then executory provisions of such Sublease; provided, however, that Lessor shall not be required to recognize the term of any Sublease to the extent such term continues after the expiration of the Term. The provisions of this Section 22 shall be self-operative, and no further instrument shall be required to give effect hereto.

23. Leasehold Mortgages. Lessee may from time to time during the Term, mortgage, hypothecate or encumber, in whole or in part, its interest in this Lease Agreement, the Demised Premises and any Subleases, under one or more Leasehold Mortgages, at any time and, from time to time, and assign this Lease Agreement, and any Subleases as collateral security for any such Leasehold Mortgage. For purposes hereof "Leasehold Mortgage" means each mortgage constituting a lien on Lessee's right, title and interest under this Lease Agreement, including, without limitation, Lessee's interest in the Demised Premises or any portion(s) thereof, and "Leasehold Mortgagee" means any person or party that is the mortgagee under a Leasehold Mortgage.

Lessee shall not be permitted to encumber the Lessor's fee simple title in the Demised Premises or any ownership interest of Lessor in the Demised Premises. Lessee shall only be permitted to mortgage Lessee's leasehold estate arising under this Lease, including the Improvements. In no event shall the Lessor's fee simple title in the Demised Premises or any or any ownership interest of Lessor in the Demised Premises be encumbered by any such leasehold mortgage. No Leasehold Mortgagee shall be entitled to

the benefits of being a Leasehold Mortgagee unless and until Lessee or the Leasehold Mortgagee shall have sent to Lessor a true, complete and correct copy of the Leasehold Mortgage together with written notification specifying the name and address of the Leasehold Mortgagee. Each Leasehold Mortgage shall provide that the Leasehold Mortgagee shall send to Lessor copies of all notices of default sent to Lessee in connection with the Leasehold Mortgage, provided that the failure to provide any such notice shall not affect the validity of the notice as against Lessee, or the validity of the Leasehold Mortgage.

Lessor agrees to amend this Lease Agreement to provide for any commercially reasonable changes that a Leasehold Mortgagee (or its servicer) may request, provided the Rent and the Term are not reduced and Lessor's interest in this Lease Agreement is not otherwise materially adversely affected.

Lessor agrees that so long as any Leasehold Mortgage, or assignments thereof, shall be held by a Leasehold Mortgagee and remain unsatisfied of record, or until written notice of satisfaction is given by the Leasehold Mortgagee to Lessor, and provided Lessee gives to Lessor written notice of the name and address of the Leasehold Mortgagee, the following provisions shall apply:

- i. There shall be no cancellation, surrender, or modification of this Lease Agreement other than by joint action of the parties hereto and the Leasehold Mortgagee.
- ii. Lessor shall, upon serving Lessee with any notice of default, simultaneously serve a copy of such notice upon the Leasehold Mortgagee. Such Leasehold Mortgagee, in case Lessee shall be in default under this Lease Agreement, shall have the right (but not the obligation) to remedy such default, or cause the same to be remedied, and Lessor shall accept such performance by or at the instance of such Leasehold Mortgagee as if the same had been made by Lessee. A Leasehold Mortgagee shall have the right to abandon such cure at any time upon notice to Lessor. No performance by or on behalf of such Leasehold Mortgagee shall cause it to become a "mortgagee in possession" or otherwise cause it to be deemed to be in possession of the Demised Premises or bound by or liable under this Lease Agreement.
- iii. Lessor shall not exercise any right of Lessor under this Lease Agreement to terminate this Lease Agreement because of any default or breach hereunder on the part of Lessee (and any Notice of Termination theretofore given to Lessee shall be void and of no effect) if such Leasehold Mortgagee shall (i) within thirty (30) days after its receipt of written notice to Leasehold Mortgagee from Lessor of its intention to terminate this Lease Agreement for such default or

breach, give notice to Lessor of its intention to cure such default or breach if the same is susceptible of cure by Leasehold Mortgagee (a "Cure Notice"), and (ii) (A) cure any such default which may be cured by the payment or expenditure of money within thirty (30) days after it gives such Cure Notice, or (B) diligently take action to cure any such default not curable by the payment or expenditure of money, including, if necessary, taking action to obtain possession of the Demised Premises, provided that during such time, such Leasehold Mortgagee pays all rental and all other payments required to be made under this Lease Agreement. No Leasehold Mortgagee shall become liable under the provisions of this Lease Agreement unless and until such time as it becomes, and then only for as long as it remains, the owner of Lessee's interest in this Lease Agreement. If Leasehold Mortgagee shall acquire Lessee's interest in this Lease Agreement as a result of a sale under such Leasehold Mortgagee pursuant to a judgment of foreclosure and sale, or through any transfer in lieu of foreclosure, or through settlement of or arising out of any pending or contemplated foreclosure action, such Leasehold Mortgagee shall have the right to transfer Lessee's interest in this Lease Agreement to an affiliate of the Leasehold Mortgagee. In the event that such Leasehold Mortgagee seeks to transfer Lessee's interest in this Lease Agreement to a third party in connection with such foreclosure or assignment-in-lieu settlement the Leasehold Mortgagee shall offer the Lessor the right to purchase Lessee's interest in this Lease Agreement on the same terms and conditions as are offered by the third party. Lessor shall have thirty (30) days during which to accept said offer. If Lessor does not accept said offer within said period, Lessee shall be free to accept the third-party offer. At that time such Leasehold Mortgagee shall be relieved of any further liability under this Lease Agreement from and after such transfer.

- iv. Lessor agrees that, in the event of a termination of this Lease Agreement and subject to Section 33 below, Lessor shall upon request of any Leasehold Mortgagee and upon payment by such Leasehold Mortgagee of the sums set forth in subsection (d) below (and whether or not a Cure Notice shall have been given) enter into a new lease of the Demised Premises with the Leasehold Mortgagee or its designee for a term equal to what would have been the remainder of the Term if this Lease Agreement had not been terminated, which new lease shall be effective as of the date of such termination and shall be at the same Rent and upon the same terms, provisions, covenants and agreements as are contained in this Lease Agreement, except that the tenant under the new lease or title thereto shall have the same right, title and interest in and to the Demised Premises to the extent, if any, that Lessee had prior to the termination of this Lease Agreement, provided that:
 - a. Leasehold Mortgagee makes written request

upon Lessor for such new lease within sixty (60) days of the date on which notice of the termination of this Lease Agreement shall have been given to Leasehold Mortgagee;

b. Leasehold Mortgagee or its designee executes and delivers such new lease within forty-five (45) days after the delivery of the new lease by Lessor to Leasehold Mortgagee in response to the request made pursuant to the first paragraph of this Section 23 above; and

c. Leasehold Mortgagee pays to Lessor at the time of the execution and delivery of said new lease all sums which would at the time of the execution and delivery thereof be due pursuant to this Lease Agreement but for such termination, including, without limitation, any interest, penalties and late charges which have accrued thereon, together with any reasonable costs and expenses, including reasonable attorneys' fees, which Lessor shall have incurred by reason of such termination.

So long as a Leasehold Mortgagee or its designee or the successor of either, continues to pay the Rent due hereunder and is diligently exercising its cure rights within the applicable cure periods set forth herein (or its rights under the Leasehold Mortgage to obtain control over the Demised Premises, to the extent necessary to effect such cure), Lessor shall not bring a proceeding on account of such default to (A) dispossess Lessee and/or other occupants of the Demised Premises, (B) re-enter the Demised Premises, or (C) terminate this Lease Agreement or the leasehold estate created hereby. Leasehold Mortgagee shall not be required to cure the bankruptcy, insolvency, or any related or similar condition of Lessee.

Lessor and Lessee authorize each Leasehold Mortgagee to enter upon the Demised Premises as necessary to cure a Lessee default hereunder and to take any action(s) reasonably necessary to effect such cure.

Lessee's default as mortgagor under a Leasehold Mortgage shall not in and of itself constitute a default under this Lease Agreement.

Lessor shall, upon Lessee's request execute, acknowledge and deliver to Lessee and/or each Leasehold Mortgagee an agreement prepared at the reasonable cost and expense of Lessee and in form reasonably satisfactory to such Leasehold Mortgagee and Lessor, confirming the provisions of this Section.

24. Intentionally Omitted.
25. 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 Agreement and re-enter and repossess the Demised Premises and hold the same as if said Lease Agreement had never been made or issued.

26. 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 other than in accordance with Sections 21, 22, 23 and 24 above.
27. 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 a 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 sixty (60) 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.
28. Lessee's covenants. Lessee hereby covenants with Lessor to pay the Rent, to keep and maintain the Demised Premises in good order, and to surrender the peaceful and quiet possession of the same at the end of the Term, in as good condition as when received (the natural wear and decay of the Demised Premises and Improvements thereon excepted). Lessee represents and warrants, both at the time of execution of this Lease Agreement and throughout 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 it is registered to do business in the State of Maryland with the Maryland Department of Assessments and Taxation, 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.

29. Default. It is mutually agreed that:
- a. If Lessee shall be in default with respect to the payment of Rent, and such default shall continue for at least ten (10) days after Lessor's delivery of notice of such non-payment, then such past due Rent shall bear interest at the rate of five (5) percent per annum, from and after the date which is eleven (11) days past the due date thereof until the date paid; and
 - b. 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 shall have the right to re-enter the Premises and may cure such default for the account of and at the cost and expense of the Lessee, and the reasonable, out-of-pocket 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.
30. 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 the option to renew this Lease Agreement for two (2) additional periods of five (5) years each 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 Appraiser to appraise the Demised 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 Qualified Independent Appraiser designated by their mutual agreement. The cost of any such third-party appraisal shall be borne equally by Lessor and Lessee. For purposes of this Section 30, "Qualified Independent Appraiser" shall mean an individual who is a Maryland-licensed appraiser who is in good standing in the State of Maryland and who bears MAI credentials and who has ten (10) years of current and active experience in

appraising real estate similar to the Demised Premises within the area of Easton, Maryland.

31. Notices. All notices to be given by either party to the other hereunder shall be in writing and shall be delivered (a) in person, (b) by United States registered or certified mail, postage prepaid, return receipt requested, or (c) by a reputable, national overnight delivery service, next business day service requested, in each case 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: Sky Harbour ESN LLC
767 5th Avenue, 21st Floor
New York, NY 10153

Every notice shall be deemed to have been given or served upon delivery thereof, with failure to accept delivery to constitute delivery for such purpose. The parties' respective attorneys may give notices on their behalf.

32. 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, subject to any exemption or abatement that may be available to Lessee.
33. 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 Lease Agreement. Lessee acknowledges that by exercising any Option associated with this Lease Agreement, or by executing and delivering a copy of this Lease Agreement, 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 and any future amendments or assignments will include consideration of public comment, if any, and that Lessor has no obligation and no power to accept this Lease Agreement and any future amendments or assignments 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 Agreement and any future amendments or assignments for any reason, Lessee and Leasehold Mortgagee shall have no claim or other recourse against Lessor.

34. 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.
35. Partial Invalidity. If a court of competent jurisdiction holds any provision of this Lease Agreement invalid, the remainder of the Lease Agreement remains in effect.
36. Force Majeure. If Lessee cannot perform any obligation of this Lease Agreement by reason of Force Majeure, it will give notice of the Force Majeure to the Lessor in writing within ten (10) days of the occurrence relied upon. The obligation of Lessee, to the extent and for the period of time affected by the Force Majeure, is suspended. Lessee will endeavor to remove or overcome the inability with all reasonable effort. In this paragraph, "Force Majeure" means acts of God, landslides, lightning, earthquakes, hurricanes, storms, floods, or other natural occurrences; strikes, lockouts, insurrections, riots, wars, or other civil or industrial disturbances; orders of any kind of the federal or state government or of any civil or military authority; explosions, fires, breakage or accidents to machinery, lines, or equipment, or the failure of the system or water supply system; or any other cause not reasonably within the control of Lessee.
37. Estoppel. Lessor, within fifteen (15) days after written request from Lessee or any Leasehold Mortgagee or prospective Leasehold Mortgagee, shall furnish a written statement, duly acknowledged, as to the following items:
 - a. The amount of the rent due, if any;
 - b. Whether or not this Lease Agreement is unmodified and in full force and effect (or, if there have been modifications, whether or not the same are in full force and effect as modified and identifying the modifications);
 - c. Whether or not to Lessor's knowledge Lessee is in default and specifying the nature of any such default; and
 - d. Such other matters as Lessee or the Mortgagee may reasonably request and which relate to the knowledge of Lessee.
38. Governing law. This Lease Agreement shall be construed and governed according to the laws of the State of Maryland.

39. Waiver of Trial by Jury. Lessor and Lessee each hereby waive trial by jury in any action, proceeding or counterclaim brought by either of them against the other in connection with any matter arising out of or in any way connected with this Lease Agreement, the relationship of Lessor and Lessee hereunder, Lessee's use or occupancy of the Demised Premises, and/or any claim of injury or damage.
40. Additional Documents. Lessee and Lessor agree to execute such other, additional documents as the other party may reasonably request from time to time if such other party, in the exercise of its reasonable 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.
41. Recording. Either party shall have the right to record this Lease Agreement or a short form memorandum of the Lease setting forth the pertinent information regarding the Lease Agreement. Lessee shall bear all costs in connection with the aforesaid recordation.
42. Counterparts and Facsimile and Electronic Transmission. This Lease Agreement may be executed in any number of counterparts, each of which so executed and delivered shall be deemed to be an original and all of which shall constitute one and the same instrument. Each counterpart may be delivered by facsimile or electronic transmission, and will have the same force and effect as an original signature page. The signature page of any counterpart may be detached therefrom without impairing the legal effect of the signature(s) thereon provided such signature page is attached to any other counterpart identical thereto.

[SIGNATURE PAGE FOLLOWS]

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

ATTEST: LESSOR:
TALBOT COUNTY, MARYLAND

_____(SEAL)

Date: _____

[SIGNATURE PAGE CONTINUES]

ATTEST: LESSEE:
SKY HARBOUR ESN, LLC

_____(SEAL)
By:

Date: _____

State of Maryland
County of Talbot

Before me, a Notary Public in and for the State and County aforesaid, this _____ day of _____, 20____, personally appeared _____, known to me, or satisfactorily proven to be the person whose name is affixed hereto, and, being authorized to do so on behalf of Talbot County, Maryland, made oath in due form of law that he executed the same for the purposes therein contained.

Notary Public

My commission expires:

State of New York
County of _____

Before me, a Notary Public in and for the State and County aforesaid, this _____ day of _____, personally appeared _____, known to me, or satisfactorily proven to be the person whose name is affixed hereto, and, being authorized to do so on behalf of _____, made oath in due form of law that he executed the same for the purposes therein contained.

Notary Public

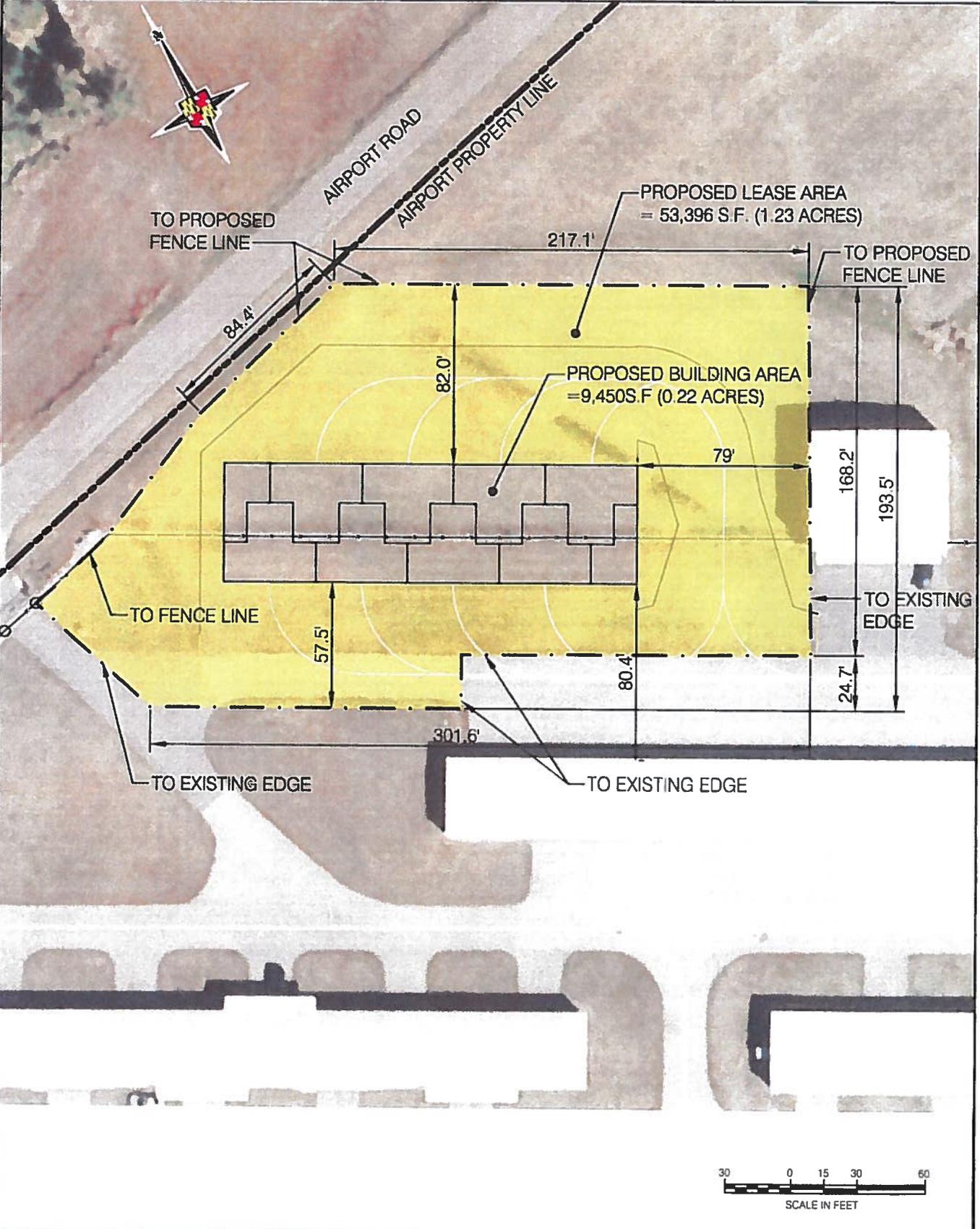
My commission expires:

Exhibit B

to

EXHIBIT 1

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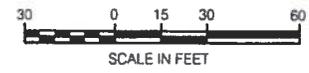
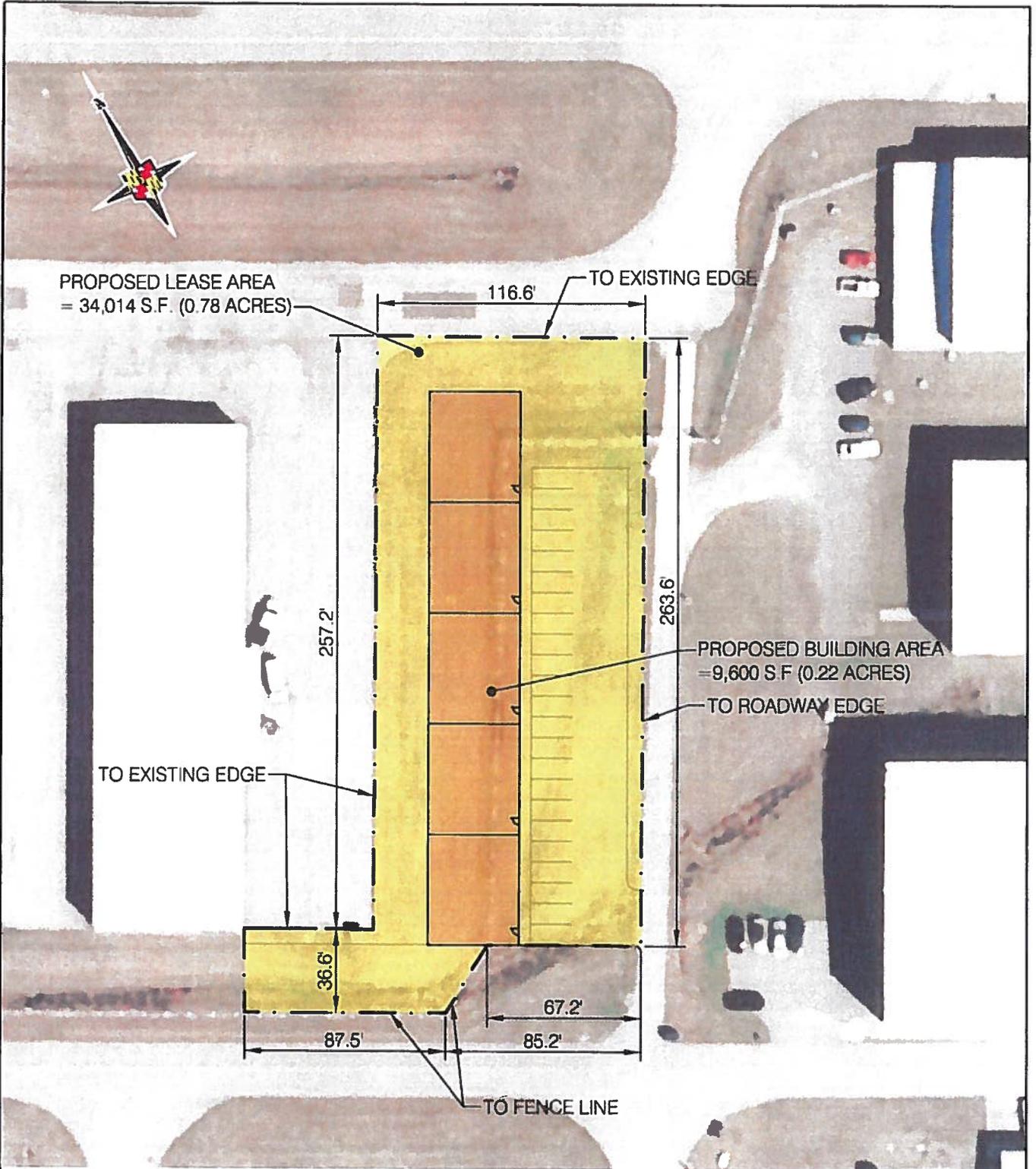


	EASTON/NEWNAM FIELD AIRPORT EASTON, MARYLAND
	

HANGAR 50 LEASE AREA

EXHIBIT
1

FILE NAME: U:\Projects\E\ESN\80423280\CAD\CML\MISC PLANNING EXHIBITS\C-EB-LEASE_HGR-50.dwg PLOTTED: Friday, October 19, 2018 - 3:56pm USER: kenneth.brozou



EASTON/NEWNAM FIELD AIRPORT
EASTON, MARYLAND



LOWER LEVEL HANGAR
LEASE AREA

EXHIBIT
1