

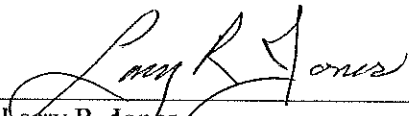
July 2018

ASSIGNMENT AND ASSUMPTION OF LEASE

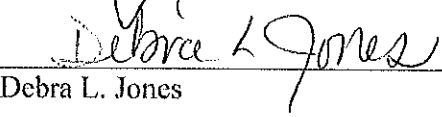
FOR AND IN CONSIDERATION of Ten Dollars (\$10.00) in hand paid, and other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged, LARRY R. JONES AND DEBRA L. JONES (collectively, "Assignors"), hereby assign to INLET INN, INC. ("Assignee") and its successors or assigns, all of Assignors' right, title and interest as Lessee in, to and under that certain Lease Agreement dated January 31, 1984 (the "Lease") between the Town of Beaufort as Lessor and Inlet Inn Associates as Lessee, which Lease relates to the Inlet Inn in Beaufort and was assigned by Inlet Inn Associates to Assignors. Assignors shall remain responsible and liable for all liabilities and expenses and tenant obligations relating to the Lease which occurred and accrued prior to the date of this Assignment. Assignors hereby agree to indemnify Assignee and to hold Assignee harmless from all loss, cost, liability, claim, suit, damage or expense (including attorneys' fees) incurred by Assignee as a result of Assignors' failure to perform the obligations of the tenant in the Lease prior to the date hereof. Assignee hereby assumes all of Assignors' liabilities and expenses and tenant obligations relating to the Lease accruing from and after the date hereof. Assignee hereby agrees to indemnify Assignors and to hold Assignors harmless from all loss, cost, liability, claim, suit, damage or expense (including attorneys' fees) incurred by Assignors as a result of Assignee's failure to perform the obligations of the tenant in the Lease from and after the date hereof. This Assignment and Assumption of Lease shall obligate and benefit the parties hereto and their heirs, successors, and assigns.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Assignment and Assumption of Lease as of the 27th day of July, 2018.

ASSIGNORS:



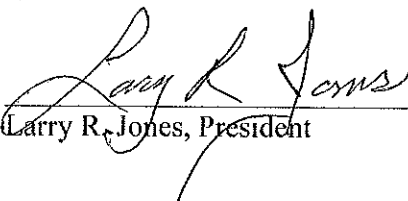
Larry R. Jones (SEAL)



Debra L. Jones (SEAL)

ASSIGNEE:

Inlet Inn, Inc.

By: 

Larry R. Jones, President (SEAL)

NORTH CAROLINA
CARTERET COUNTY

AMENDED AND RESTATED GROUND LEASE AGREEMENT

This AMENDED AND RESTATED GROUND LEASE AGREEMENT entered into as of the Contract Date, and effective as of the Effective Date, by and between the Town of Beaufort, a municipal corporation of the State of North Carolina (hereinafter "Lessor"); and Inlet Inn, Inc. a North Carolina corporation (hereinafter "Lessee"), (hereinafter "Agreement" or "Lease"), and which replaces and supersedes the original lease agreement dated January 31, 1984 and all subsequent amendments to that lease.

WITNESSETH:

1. DEFINITIONS. Certain terms having specific definitions are used in this Lease, and these terms and definitions, unless the context clearly indicates to the contrary, are as set forth in this Section. The defined terms appearing in this Section are set forth in the Lease in the exact capitalized form as they appear between the quotation marks. When the same term is used in this Lease with the meaning as assigned herein, it shall appear in the identical capitalized form. Otherwise, the meaning shall be as used in the context of the sentence in which it appears and not necessarily that as defined herein.

A. **"Contract Date"** – means and refers to the **latter date** on which either the Lessor or the Lessee executes this Lease.

B. **"Effective Date"** - means and refers to the 1st day of August, 2018, or any other date agreed to in writing by the parties.

C. **"Hazardous Material"** – means and refers to any hazardous, toxic or dangerous waste, substance or material defined as such in or for purposes of state or federal environmental regulations or laws, or listed as such by the Environmental Protection Agency.

D. **"Lease"** - means and refers to this Ground Lease Agreement and any amendments hereto.

E. **"Lessee"** – means and refers to Inlet Inn, Inc., a corporation of the State of North Carolina.

F. **"Lessor"** – means and refers to the Town of Beaufort, a municipal corporation of the State of North Carolina.

G. **"Premises"** - means and refers to that certain real property described as follows:

BEGINNING at an existing iron rod marking the intersection of the northern margin of the right of way of Front Street and the eastern margin of the right of way of Queen Street, said iron rod having NC Grid monument coordinates N:359783.8523, E:2702055.2537, and being located S 68° 40' 35" E 7.26 feet from the intersection of the sidewalks along the aforesaid streets; from the beginning point thus established, and running with the eastern margin of the right of way of Queen Street N 32° 22' 31" E 225.54 feet to an existing iron pin; thence S 59° 07' 39" E 86.05 feet to an existing iron pin; thence N 32 49' 14" E 98.92 feet to an existing iron pin; thence S 57° 34' 06" E 79.38 feet to an existing iron pin; thence S 31° 56' 43" W 326.15 feet to an existing iron rod in the northern margin of the right of way of Front Street having NC Grid monument coordinates N;359693.9849, E:2702197.9313; thence with the northern margin of the right of way of Front Street N 57° 47' 41" W 168.62 feet to the point of BEGINNING.

H. **"Term"** – means and refers to that period of time more particularly set forth in Section 3 below.

2. LEASE OF PREMISES; OWNERSHIP OF BUILDING AND IMPROVEMENTS.

A. Subject to the terms and conditions hereinafter set forth, Lessor does hereby let and lease unto the Lessee and its permissive successors and assigns, and the Lessee does hereby accept from Lessor the Premises.

B. During the term of this Lease, all buildings and improvements located at or upon the Premises shall be owned by the Lessee, and shall constitute a leasehold interest. However, upon termination of this Lease, all buildings and improvements located at or upon the Premises shall immediately be deemed to be owned by the Lessor, without further action of the parties.

3. TERM AND OPTIONS TO RENEW. This Lease commences on the Effective Date and terminates on January 31, 2029. So long as Lessee is not then in default, Lessor has and does hereby grant Lessee the right and option to renew this Lease for an additional seven (7) year term, beginning February 1, 2029 and terminating January 31, 2036, and for two (2) additional five (5) year terms, the first of which will begin on February 1, 2036 and terminate on January 31, 2041, and the second of which will begin on February 1, 2041 and terminate on January 31, 2046; provided, however, Lessee must provide written notice of its intent to renew no less than one hundred eighty (180) days prior to the expiration of the initial term.

For the two (2) additional terms extending through 2046, the rent shall be at the Fair Market Rent, as determined below. If Lessor and Lessee are not able to agree on the Fair Market Rent for one of these extension terms, within thirty days after Lessee's notice of election to extend for such term, then the Fair Market Rent shall be determined as follows: Lessor and Lessee shall each select an appraiser with at least ten years' experience in the eastern North Carolina market. If the two appraisers are unable to agree within ten days after their selection, they shall select a similarly qualified third appraiser (the "Neutral Appraiser"). Within twenty days after selection of the Neutral Appraiser, the three appraisers shall simultaneously exchange determinations of Fair Market Rent. If the lowest appraisal is not less than ninety percent (90%) of the highest appraisal, then the three appraisals shall be averaged and the result shall be the Fair Market Rent. If the lowest appraisal is less than ninety percent (90%) of the highest appraisal, then the two closest appraisals (in dollar amount) shall be averaged to determine the Fair Market Rent. Fees and expenses of the third appraiser shall be paid one-half by Lessor and one-half by Lessee. The fees of the appraisers appointed by each party shall be paid by that party.

4. RENT.

A. Rent for the first year of the Lease shall be the sum of \$1,742.57 per month, payable in advance. The first payment shall be due upon execution of this Lease by Lessee, and thereafter the first day of each month. Any payment of rent more than five days late shall result in a \$250.00 late fee, and shall be deemed to be a material breach of this Lease.

B. After the first year that this Lease is in effect, rent shall be adjusted annually based upon the Consumer Price Index for All Urban Consumers, published by the Bureau of Labor and Statistics, United States Department of Labor, herein referred to as the "Index". The percentage of change in the Index shall be applied to the then current yearly rent and becomes effective February 1 of each year. Lessor shall, within a reasonable time after computing such increase, give the Lessee notice of any increase so determined, and the Lessor's computation thereof shall be conclusive and binding, (but shall not preclude any adjustment which may be required in the event of a published amendment of the Index figures).

C. Any rent due for any period which elapses before the Lessor has provided Lessee with the new rent figure pursuant to subparagraph B will be due and payable within thirty (30) days after Lessee has notice of a new rental figure. In the interim, Lessee will continue to pay the monthly rental which has been paid up until that time.

D. If publication of the Index shall be discontinued, the parties hereto shall thereafter accept comparable statistics on the cost of living as they shall be computed and published by any agency of the United States of America or by a responsible financial periodical of recognized authority to be selected by the parties hereto.

E. Currently, neither the land, buildings nor improvements located on the Premises are assessed ad valorem taxes. Therefore, in addition to all rental payments contained herein,

Lessee shall pay to Lessor an amount of money equal to the amount of money that would be due to Lessor (but not to Carteret County) for ad valorem taxes if the land, buildings and improvements comprising the Premises were assessed ad valorem taxes (hereinafter "In Lieu Fees"). Payment of all In Lieu Fees shall be made no later than October 1 of each year of the term of this Agreement; and failure to timely pay In Lieu Fees shall be deemed a material breach of this Lease.

Provided however, in the event that the Lessor (or Carteret County for the benefit of the Lessor) collects municipal (but excluding county) ad valorem taxes from Lessee on the buildings and improvements located at the Premises during the term of this Agreement, Lessee shall receive a credit for such municipal ad valorem taxes, to be applied against the In Lieu Fees.

5. USES PERMITTED. Lessee shall not use, or permit the Premises to be used for any purpose or purposes other than a hotel/inn complex, restaurant, convention or meeting facilities, and such other uses that are incidental uses to the operation of a hotel/inn, without the express written permission of the Lessor.

6. ABANDONMENT OF PREMISES. Lessee shall not vacate or abandon the Premises at any time during the term hereof. If Lessee shall abandon, vacate or surrender the Premises, or be dispossessed by process of law, or otherwise, any personal property belonging to Lessee and left on the Premises for thirty (30) days shall be deemed to be abandoned, at the option of the Lessor, except such property as may be encumbered to Lessor.

7. LESSOR'S RIGHT OF ENTRY. Lessee shall permit Lessor and its agents and employees, upon reasonable notice to Lessee, to enter into and upon the Premises at all reasonable times for the purposes of inspecting the same.

8. ENCUMBRANCE OF LESSEE'S LEASEHOLD INTEREST. Lessee may encumber by mortgage, deed of trust, assignment of lease, or other proper instrument, its leasehold interest and estate in the Premises, together with all buildings and improvements, as security for any indebtedness of Lessee with the written approval of Lessor, which approval shall not be unreasonably withheld. The execution of any such mortgage, deed of trust, assignment of lease, or other instrument, or the foreclosure thereof, or any sale thereunder, either by judicial proceedings or by virtue of any power reserved in such mortgage or deed of trust, or assignment or conveyance by Lessee to the holder of such indebtedness, or the exercise of any right, power, or privilege reserved in any mortgage, deed of trust, or assignment, shall not be held as a violation of any of the terms or conditions hereof, or as an assumption of the holder of such indebtedness personally of the obligations hereof. Likewise, no such encumbrances, foreclosure, conveyance, assignment or exercise of rights thereunder shall relieve Lessee from its liability hereunder.

9. SUBLETTING AND ASSIGNMENT. Lessee may sublet the Premises in whole or in part only with the written consent of the Lessor, which shall not be unreasonably withheld. The making of any such sublease shall not release Lessee from, or otherwise affect in any manner, any of Lessee's obligations hereunder.

Lessee shall not assign or transfer this Lease, or any interest herein, without the prior written consent of Lessor, which shall not be unreasonably withheld, and any consent to an assignment shall not be deemed to be a consent to any subsequent assignment. Any assignment without the Lessor's written consent shall be void, and shall, at the option of Lessor, terminate this Lease. Neither this Lease nor the leasehold estate of Lessee nor any interest of Lessee hereunder in the Premises or any building or improvements thereon shall be subject to

involuntary assignment, transfer or sale, or to assignment, transfer, or sale by operation of law in any manner whatsoever unless Lessor shall have consented in writing to the assignment resulting in the foreclosure, transfer or sale, and shall be void and of no affect and shall at the option of Lessor terminate this Lease.

10. INDEMNIFICATION OF LESSOR. Lessor shall not be liable for any loss, injury, death or damage to persons or property which at any time may be suffered or sustained by Lessee or by a person whomsoever may at any time be using or occupying or visiting the Premises or be in, on or about the same, whether such loss, injury, death, or damage shall be caused by or in any way result from or arise out of any act, omission, or negligence of Lessee or of any occupant, subtenant, visitor, or user of any portion of the Premises, or shall result from or be caused by any manner or thing whether of the same kind or of a different kind than the matters or things set forth above; and Lessee shall indemnify and hold Lessor harmless against all claims, liabilities, loss, or damage whatsoever on account of any such loss, injury, death, or damage. Lessee hereby waives all claims against Lessor for damages to the buildings and improvements that are, or are hereafter placed or built on the Premises and to the property of Lessee, in, on, or about the Premises, and for injuries to persons or property in or about the Premises, from any cause arising at any time. The foregoing sentences shall not apply to loss, injury, death, or damage arising by reason of the negligence or misconduct of the Lessor, its agents or employees. Provided, that the foregoing sentences shall not be construed as a waiver of any governmental immunity Lessor may have.

11. NOTICES. All notices, demands, or other writings to be given or made or sent, or which may be given or made or sent, by either party hereto to the other, shall be deemed to have

been fully given or made or sent when made in writing and deposited in the United States mail, registered and postage prepaid, and addressed as follows:

To Lessor: Town of Beaufort
Attn.: Town Manager
701 Front Street
Beaufort, NC 28516

To Lessee: Inlet Inn, Inc.
601 Front Street
Beaufort, NC 28516

With a copy (not constituting Notice) to:

Clifford P. Parson
Ward and Smith, P.A.
P. O. Box 867
New Bern, NC 28563

12. WASTE AND NUISANCE PROHIBITED. During the term of this Lease, Lessee shall comply with all applicable laws affecting the Premises, the breach of which might result in a penalty on Lessor's or Lessee's title to the Premises. Lessee shall not commit or suffer to be committed, any waste on the Premises, or any nuisance.

If Lessee shall encumber its leasehold interest and estate in the Premises and if Lessee or the holder of the indebtedness secured by such encumbrance shall give notice to Lessor of the existence thereof and the address of such holder, then Lessor will mail or deliver to such holder, at such address, a duplicate copy of all notices in writing which Lessor may, from time to time, give to or serve on Lessee under and pursuant to the terms and provisions hereof; such copy shall be mailed or delivered to such holder, at or as near as possible to, the same time such notices are given to or served on Lessee. Such holder may, at its option, at any time before the rights of Lessee shall be terminated as provided herein, pay any of the rents or In Lieu Fees due hereunder, or pay any taxes or assessments, or do any other act or thing required of Lessee by the

terms hereof, or do any act or thing that may be necessary and proper to be done to prevent the termination hereof; all payments so made, and all things so done and performed by such holder shall be as effective to prevent a termination of the rights of Lessee hereunder as the same would have been if done and performed by Lessee.

Before Lessor shall be entitled to terminate Lessee's rights hereunder or the rights of any successor in interest or assignee of the Lessee herein as a result of the failure of the Lessee or its successors in interest or assigns to do or perform any covenant or thing required by the terms of this Lease, then Lessor shall have first given written notice to any bank, lending institution, or other person, firm or corporation which has given Lessor notice of its encumbrance of the Lessee's leasehold interest specifying Lessee's default and giving the holder of said encumbrance of Lessee's leasehold interest thirty days to remedy said default.

13. CITY AND COUNTY TAXES ON IMPROVEMENTS AND PERSONAL PROPERTY. Lessee shall pay all taxes, levies or charges assessed by the Town of Beaufort and Carteret County on the improvements and any personal property of Lessee as the same may become due, subject to the terms of Section 4(E) above.

14. ALTERATIONS, IMPROVEMENTS, AND CHANGES PERMITTED. Lessee shall have the right to make such alterations, improvements, and changes to the buildings and improvements which may from time to time be on the Premises as Lessee may deem necessary, or to replace any such building with a new one of at least equal value, provided that prior to making any structural additions, improvements, or changes, or to replacing any such building, Lessee shall obtain Lessor's written approval of plans and specifications therefor, which approval Lessor shall not unreasonably withhold, provided that the value of the building shall not be diminished and the structural integrity of the buildings shall not be adversely affected by any

such alterations, improvements, or changes, or that any proposed new building is at least equal in value to the one it is to replace, as the case may be. In the event of disapproval by Lessor, Lessor shall give to Lessee an itemized statement of reasons therefor. Lessee will in no event make any alterations, improvements, or other changes of any kind to the buildings or Premises that will decrease the value of such buildings or Premises, or which will adversely affect the structural integrity of the buildings and Premises.

All alterations, improvements, changes, or additions made in or to the Premises shall be the property of Lessee for the term of this Agreement, subject to the terms hereof including but not limited to the automatic reversion of ownership to Lessor under Sections 2(B) and 26.

15. REPAIRS AND DESTRUCTION OF BUILDINGS AND IMPROVEMENTS.

A. MAINTENANCE OF BUILDINGS AND IMPROVEMENTS. Lessee shall, throughout the term of this Lease, at its own expense and its own costs, without any expense to Lessor keep and maintain the Premises, including all buildings and improvements of every kind which may be a part thereof, and all appurtenances thereto, including sidewalks, parking lots and driveways, in sanitary and neat order, condition and repair (including but not limited to replacing exterior rotting or damaged wood and siding, missing or damaged shingles and shutters, repainting peeling paint, and such other matters as may be identified by the Lessor from time-to-time), and except as specifically provided herein, restore and rehabilitate any improvements of any kind which may be destroyed or damaged by fire, storm, flood, wind, casualty, collision, or any other cause whatsoever except for damage or destruction caused by Lessee's buildings or improvements and Premises by the Lessor and its employees and agents. Lessor shall not be obligated to make any repairs, replacements or renewals of any kind, nature or description,

whatsoever to the Premises or any buildings or improvements thereon except for damages or destruction caused by Lessor and its agents and employees. Lessee shall comply with and abide by all federal, state, county and municipal statutes and ordinances, laws and regulations affecting the Premises, the improvements thereon, or in any activity on or in such Premises.

B. DAMAGE TO AND DESTRUCTION OF BUILDINGS AND IMPROVEMENTS. The damage, destruction or partial destruction of any building or other improvement which is a part of the Premises shall not release Lessee from any obligation hereunder, except as hereinafter expressly provided, and in case of damages to or destruction of any such building or improvement, Lessee shall at its own expense promptly repair and restore the same to a condition as good or better than that which existed prior to such damage or destruction. Without limiting such obligations of Lessee, it is agreed that the proceeds of any insurance covering such damage or destruction shall be made available to Lessee and Lessor jointly for Lessee's use in carrying out such repairs or replacement.

C. DAMAGE OR DESTRUCTION OCCURRING TOWARD END OF TERM. Anything to the contrary in the immediately preceding paragraphs of this section notwithstanding, in case of destruction of the building on the Premises or damage thereto from any cause so as to make it untenable occurring during the last ten (10) years of the current Lease term, and during the last two (2) years of any extended term, Lessee, if not then in default hereunder, may elect to terminate this Lease by written notice served on Lessor within thirty days after the occurrence of such damage or destruction. In the event of such termination, there shall be no obligations on the part of Lessee to repair or restore the building or improvements nor shall the Lessee have any right to receive any proceeds collected under any insurance policies covering such buildings or any part thereof. In the event of such damage or destruction, Lessee

hereby assigns any right to receive any such insurance proceeds to Lessor. Upon such termination, all rent and In Lieu Fees payable by Lessee to Lessor hereunder shall be prorated as of the termination date, and in the event any rent and In Lieu Fees shall have been paid in advance, Lessor shall rebate the same for the unexpired period for which payment shall have been made. Provided, Lessee shall not have the right to terminate said Lease in the event the damage or destruction was caused by the willful acts or omissions of Lessee or its agents or employees, or in the event said damage or destruction is not covered by insurance proceeds to the extent of at least 85% of the full replacement value of the buildings or improvements so damaged or destroyed.

D. **ELECTION NOT TO TERMINATE.** If, in the event of such destruction or damage during the applicable period set forth above, Lessee does not elect to terminate this Lease, the proceeds of all insurance covering such damage or destruction shall be made available to Lessee and Lessor for Lessee's use in carrying out such repairs or replacements, and Lessee shall be obligated to repair or rebuild the building and improvements as above provided.

16. UTILITIES. Lessee shall fully and promptly pay for all water, gas, electric, telephone service, and other public utilities of every kind furnished to the Premises throughout the term hereof, and all other costs and expenses of every kind whatsoever of or in connection with the use, operation, and maintenance of the Premises and all activities conducted thereon, and Lessor shall have no responsibility with regard thereto.

17. LIENS.

A. **LESSEE'S DUTY TO KEEP PREMISES FREE OF LIENS.** Lessee shall keep all of the Premises and every part thereof and all buildings and other improvements at any time located thereon free and clear of any and all mechanic's, materialmen's, and other liens for or

arising out of or in connection with work or labor done, services performed, or materials or appliances used or furnished for or in connection with the operations of Lessee, any alteration, improvement, or repairs or additions which Lessee may make or permit or cause to be made, or any work or construction, by, for or permitted by Lessee on or about the premise, or any obligations of any kind incurred by Lessee, and at all times promptly and fully to pay and discharge any and all such claims on which any such lien may or could be based, and to indemnify Lessor and all the Premises and buildings and improvements thereon against all such liens and claims of liens and suits or other proceedings pertaining thereto. Lessee shall give Lessor written notice no less than fifteen days in advance of the commencement of any constructions, alterations, additions, improvements, or repairs estimated to cost in excess of \$50,000.00.

B. **CONTESTING LIENS.** If Lessee desires to contest any such lien, it shall notify Lessor of its intention to do so within ten days after the filing of such lien. In such case, and provided that Lessee shall on demand protect Lessor by a good and sufficient surety bond against any such lien as to any cost, liability, or damage arising out of such contest, Lessee shall not be in default hereunder until thirty days after the final determination of the validity thereof, within which time Lessee shall satisfy and discharge such lien to the extent held valid; but the satisfaction and discharge of any such lien shall not, in any case, be delayed until execution is had on any judgment rendered thereon and such delay shall be a default of Lessee hereunder. In the event of such contest, Lessee shall protect and indemnify Lessor against all loss, expense, and damage resulting therefrom.

18. ATTORNEY'S FEES. If any action at law or in equity shall be brought to recover any rent or In Lieu Fees under this Lease, or for or on account of any breach of, or to enforce or

interpret any of the covenants, terms, or conditions of this Lease, or for the recovery of or possession of the Premises, the parties shall be entitled to recover from the each other as part of their costs a reasonable attorney's fee the amount of which shall be fixed by the court and shall be made a part of any judgment or decree.

19. REDELIVERY OF PREMISES. Lessee shall pay the rent and all other sums required to be paid by Lessee hereunder in the amounts, at the times, and in the manner herein provided, and shall keep and perform all the terms and conditions hereof on its part to be kept and performed, and, at the expiration or sooner termination of this Lease, peaceably and quietly quit and surrender to Lessor the Premises in good order and condition subject to reasonable wear and tear and to the other provisions of this Lease. In the event of the non-performance by Lessee of any of the covenants of Lessee undertaken herein, this Lease may be terminated as herein provided.

20. REMEDIES CUMULATIVE. All remedies hereinbefore and hereinafter conferred on Lessor shall be deemed cumulative and no one is exclusive of the other, or of any other remedy conferred by law.

21. INSURANCE.

A. INSURANCE COVERAGE ON PREMISES. Lessee shall at all times during the term of this Lease and at Lessee's sole expense, keep all buildings and improvements which are now or hereafter a part of the Premises insured against loss or damage by fire, flood and extended coverage hazards for not less than 85% of the full replacement value of such improvements, with loss payable to Lessor and Lessee as their interest may appear. Any loss adjustment shall require the written consent of both Lessor and Lessee.

B. PERSONAL INJURY LIABILITY. Lessee shall maintain in effect throughout the term of this Lease personal injury liability insurance covering the Premises and its appurtenances and sidewalks running thereon in the minimum amount of One Million Dollars (\$1,000,000.00). Such insurance shall specifically insure Lessee against all liability assumed by it hereunder, as well as liability imposed by law, and shall insure both Lessor and Lessee but shall be so endorsed as to create the same liability on the part of the insurer as though separate policies had been written for Lessor and Lessee.

C. LESSOR'S RIGHT TO PAY PREMIUM ON BEHALF OF LESSEE. All the policies of insurance referred to in this Section shall be written in form satisfactory to Lessor and by an insurance company satisfactory to Lessor. Lessee shall pay all of the premiums therefore and deliver such policies, or certificates thereof, to Lessor, and in the event of the failure of the Lessee, either to effect such insurance in the names hereincalled for or to pay the premiums therefore or to deliver such policies, or certificates thereof, to Lessor, Lessor shall be entitled, but shall have no obligation, to effect such insurance and pay the premiums therefore, which premiums shall be repayable to Lessor with the next installment of rental, and failure to repay the same shall carry with it the same consequences as failure to pay any installment of rent. Each insurer mentioned in this section shall agree, by endorsement on the policy or policies issued by it, or by independent instrument furnished to Lessor, that it will give to Lessor thirty days written notice before the policy or policies in question shall be altered or cancelled. Lessor agrees that it will not unreasonably withhold its approval as to the form or the insurance company selected by Lessee.

D. DEFINITION OF FULL REPLACEMENT VALUE. The term "full replacement value" of buildings and improvements as used herein, shall mean the actual replacement cost

thereof from time to time less exclusions provided on the normal fire and flood insurance policies. In the event either party believes that the replacement value has increased or decreased, it shall have the right, but as excepted below, only at intervals of not less than five years, to have such full replacement value redetermined by the fire insurance company which is carrying the largest amount of fire insurance carried on the Premises (hereinafter referred to as "impartial appraiser"). The party desiring to have the full replacement value so determined by such impartial appraiser shall forthwith on submission of such determination of such impartial appraiser give written notice to the other party hereto. The determination of such impartial appraiser shall be final and binding on the parties hereto, and Lessee shall forthwith increase (or may decrease) the amount of insurance carried pursuant to this section as the case may be to the amount so determined by the impartial appraiser. Such determination shall be binding for a period of five years, and until superseded by agreement by the parties hereto or by a subsequent redetermination by an impartial appraiser. If, during any such five year period, Lessee shall have made improvements to the Premises, Lessor may have such full replacement value redetermined at any time after such improvements are made, regardless of when the full replacement value was last determined.

E. ADJUSTMENT OF COVERAGE. In the event that either party shall at any time, using commercially reasonable judgment, deem the limits of the personal injury or the property damage public liability insurance then carried to be insufficient, the parties shall endeavor to agree on the proper and reasonable limits for such insurance then to be carried and such insurance shall thereafter be carried with the limits thus agreed on until further change pursuant to the provisions of this section.

F. BLANKET INSURANCE POLICIES. Notwithstanding anything to the contrary contained in this section, Lessee's obligations to carry the insurance provided for herein may be brought within the coverage of a so-called blanket policy or policies of insurance carried and maintained by Lessee; provided, that the coverage afforded Lessor will not be reduced or diminished or otherwise be different from that which would exist under a separate policy meeting all other requirements in this Lease by reason of the use of such blanket policy of insurance, and provided further that the requirements of the foregoing paragraph (E) of this section are otherwise satisfied.

22. PROHIBITION OF INVOLUNTARY ASSIGNMENT; EFFECT OF BANKRUPTCY OR INSOLVENCY.

A. PROHIBITION OF INVOLUNTARY ASSIGNMENT. Neither this Lease nor the leasehold estate of Lessee nor any interest of Lessee hereunder in the Premises or in the buildings or improvements thereon shall be subject to involuntary assignment, transfer or sale, or to assignment, transfer or sale by operation of law in any manner whatsoever (except through statutory merger or consolidation, or devise, or intestate succession) and any such attempt at involuntary assignment, transfer or sale shall be void and of no effect.

B. EFFECT OF BANKRUPTCY. Without limiting the generality of the provisions of the preceding paragraph (A) of this section, Lessee agrees that in the event any proceeding under the Bankruptcy Code or any amendment thereto be commenced by or against Lessee, and, if against Lessee, such proceedings shall not be dismissed before either an adjudication in bankruptcy or the confirmation of a composition, arrangement, or plan of reorganization, or in the event Lessee is adjudged insolvent or makes an assignment for benefit of creditors, or if a receiver is appointed in any proceeding or action to which Lessee is a party, with authority to

take possession or control of the Premises or the business conducted thereon by Lessee, and such receiver is not discharged within thirty days after his appointment, any such event or any involuntary assignment prohibited by the provisions of the preceding paragraph (A) of this Section shall be deemed to constitute a breach of this Lease by Lessee and shall, at the election of Lessor, but not otherwise, without notice or entry or other action of Lessor terminate this Lease and also all rights of Lessee under this Lease and in and to the Premises and all rights of any and all persons claiming under the Lease.

23. NOTICE OF DEFAULT. Except as to the provisions of Sections 9, 13 and 22 hereof, Lessee shall not be deemed to be in default hereunder in the payment of rent or the payment of any monies as herein required or in the furnishing of any bond or insurance policy when required hereunder unless Lessor shall first give to Lessee thirty days written notice of such default and Lessee fails to cure such default within such thirty days. Provided, that if said default is of such nature that it cannot be cured within thirty days, and Lessee thereafter proceeds to the curing of such default with all possible diligence, then Lessee shall not be deemed in default except as to the provisions of Sections 9, 13 and 22 hereof.

24. REENTRY. In the event of any breach of this Lease by Lessee, Lessor, in addition to the other rights or remedies it may have, shall have the immediate right of reentry and may remove all persons and property from the Premises; such property may be removed and stored in a public warehouse or elsewhere at the cost of, and for the account of, Lessee. Should Lessor elect to reenter, as herein provided, or should it take possession pursuant to legal proceedings or pursuant to any notice provided for by law, Lessor may terminate this Lease or, it may from time to time without terminating this Lease, re-let the Premises or any part thereof for such term or terms and at such rental or rentals and on such other terms and conditions as Lessor in its sole

discretion may deem advisable with the right to make alterations and repairs to the Premises. On each such re-letting Lessee shall be immediately liable to pay to Lessor, in addition to any indebtedness other than rent due hereunder, the expenses of such re-letting and of such alterations and repairs, incurred by Lessor, and the amount, if any, by which the rent reserved in this Lease for the period of such re-letting exceeds the amount agreed to be paid as rent for the Premises for such period on such re-letting. All rents received by Lessor from such re-letting shall be applied first to the payment of any indebtedness, other than rent due hereunder from Lessee to Lessor, secondly to the payment of any expenses of such re-letting and of such alterations and repairs, and thirdly towards the payment of rent due and unpaid hereunder, and any residue, if any, shall be held by Lessor and applied in payment of future rent as the same may become due and payable hereunder. If Lessee has been credited with any rent to be received by any such re-letting hereunder and such rent shall not be promptly paid to Lessor by the new tenant, or if such rentals received from such re-letting hereof during any month is less than that to be paid during that month by Lessee hereunder, Lessee shall pay any such deficiency to Lessor. Such deficiency shall be calculated and paid monthly.

No such re-entry or taking possession of the Premises by Lessor shall be construed as an election on the part of the Lessor to terminate this Lease unless a written notice of such intention is given to Lessee or unless the termination thereof is decreed by a court of competent jurisdiction. Notwithstanding any such re-letting without termination, Lessor may at any time thereafter elect to terminate this Lease for such previous breach. Should Lessor at any time terminate this Lease for any breach, in addition to any other remedy it may have, Lessor may recover from Lessee all damages incurred by reason of such breach, including the cost of recovering the Premises, and including the amount at the time of such termination of the excess,

if any, of the amount of rent and charges equivalent to rent reserved in this Lease for the remainder of the stated term over the then reasonable rental value of the Premises for the remainder of the stated term, all of which shall be immediately due and payable from Lessee to Lessor. Lessor has a duty to mitigate its damages.

25. LESSOR'S RIGHT TO PERFORM. In the event that Lessee, by failing or neglecting to do or perform any act or thing herein provided by it to be done or performed, shall be in default hereunder and such failure shall continue for a period of thirty days after written notice from Lessor specifying the nature of the act or thing to be done or performed, then Lessor may, but shall not be required, to do or perform or cause to be done or performed such act or thing, and Lessor shall not be held liable or in any way responsible for any loss, inconvenience, annoyance, or damage resulting to Lessee on account thereof, and Lessee shall pay to Lessor on demand the entire expenses thereof, including compensation to the agents and employees of Lessor. Any act or thing done by Lessor pursuant to the provisions of this section shall not be construed as a waiver of any such default by Lessee; or as a waiver of any covenant, term, or condition herein contained, or any other right or remedy of Lessor, hereunder or otherwise. All amounts payable by Lessee to Lessor under any of the provisions of this Lease, if not paid when the same becomes due as in this Lease provided, shall bear interest thereafter at the legal rate of interest.

26. DISPOSITION OF IMPROVEMENTS ON TERMINATION OF LEASE. On termination of this Lease for any reason, Lessor shall become the owner of any buildings and improvements on the Premises. Upon termination of this Lease the buildings and their components and systems shall be in working order and in a good state of repair. All costs incurred by the Lessor in restoring the Premises to a good state of repair and carrying out

maintenance and repairs so that the buildings and their systems are operational and in good working order shall be those of the Lessee.

27. EASEMENTS AND OTHER LIENS, ENCUMBRANCES AND RESTRICTIONS AFFECTING USE OF THE PREMISES.

The lease of the Premises described herein by Lessor to Lessee is expressly made subject to the following encumbrances, liens, covenants, easements and conditions:

A. Easement and right of way for Front Street and the use and maintenance of the sidewalks, bulkhead and public facilities located therein. Lessee and its customers or patrons shall not obstruct Lessor and the general public's use of the Front Street right of way, sidewalks, bulkhead, and other public improvements within the right of way of Front Street.

B. All existing easements and rights of ways for the installation, placement, repair and maintenance of water, sewerage, storm drains, electrical and utility pipes, poles, equipment and other fixtures within the Premises both to the Lessor and to other public utilities within the Town of Beaufort. Lessor shall not further encumber the Premises without the prior written consent of Lessee, which shall not be unreasonably withheld, conditioned, or delayed.

28. WAIVER. Waiver by Lessor of, or the failure of Lessor to take action with respect to any breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant, or condition, or subsequent breach of the same, or any other term, covenant, or condition therein contained. The subsequent acceptance of rent hereunder by Lessor shall not be deemed to be a waiver of any preceding breach by the Lessee of any term, covenant or condition of this Lease, other than the failure of Lessee to pay the particular rental so excepted, regardless of Lessor's knowledge of such preceding breach at the time of acceptance of such rent.

29. HOLDING OVER. Any holding over after the expiration of the term of this Lease, with consent of Lessor, shall be construed to be a tenancy from month-to-month, at a rental rate of one-hundred twenty five percent (125%) of the monthly installments payable during the year immediately preceding such expiration, and shall otherwise be on the terms and conditions herein specified, so far as applicable.

30. PARTIES BOUND. The terms and conditions herein contained shall be binding on the parties hereto and their heirs, successors, executors, and administrators, and assigns. Time is of the essence of this Lease, and of each and every covenant, term, condition and provision.

31. MISCELLANEOUS PROVISIONS.

Lessor and Lessee further agree:

A. No waiver of a breach of any of the covenants of this Lease contained shall be construed to be a waiver of any succeeding breach.

B. Time is of the essence in every particular, and particularly where the obligation to pay money is involved.

C. All arrearages in the payment of rent if more than thirty days delinquent on and after its due date shall bear interest from the due date until paid at the legal rate of interest.

D. No modifications, releases, discharges or waivers of any provisions hereof, shall be of any force, value or effect unless in writing and signed by the parties hereto.

E. This Lease shall be binding on the parties hereto and their heirs, executors, administrators, successors, legal representatives, and assigns.

F. This Lease contains the whole agreement between the parties and there are no collateral agreements, stipulations, promises, inducements or undertakings whatsoever which are not expressly contained in this Lease.

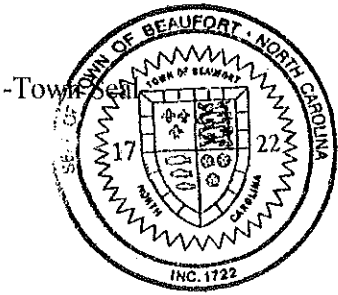
G. This Lease shall be controlled by the laws of the State of North Carolina. Exclusive venue for any action, whether at law or in equity, shall be in a court of competent jurisdiction for Carteret County, North Carolina.

H. As used herein the singular shall include the plural and the feminine, masculine and neuter genders are interchangeable unless otherwise noted. Unless the context otherwise requires, "Premises" refers to the land and all buildings and improvements thereon.

I. This Lease amends and restates that Lease Agreement originally between Lessor and Inlet Inn Associates dated January 31, 1984, as subsequently amended and as subsequently assigned to Larry R. Jones and wife, Debra L. Jones (the "Original Lease"), and subsequently assigned to the Lessee herein with the consent of the Lessor. Upon execution and delivery hereof, the Original Lease shall terminate and be of no further force or effect.

IN WITNESS WHEREOF, the Town of Beaufort has caused this Lease to be executed by its Mayor and Clerk to the Board of Commissioners for the Town of Beaufort, and has caused the seal of the Town of Beaufort to be placed thereon; and Lessee has caused this agreement to be executed under seal by its duly authorized officer on the day and year first written. This document shall be considered a sealed instrument.

[SIGNATURES APPEAR ON THE FOLLOWING PAGE]



**LANDLORD:
TOWN OF BEAUFORT**

By:

(Signature) (SEAL)

EVERETTE S. NEWTON, Mayor

Date:

7.27.18

ATTEST:

(Signature)
MICHELE DAVIS, Clerk

**TENANT:
INLET INN, INC.**

-Seal-

By:

(Signature) (SEAL)
Larry R. Jones, President

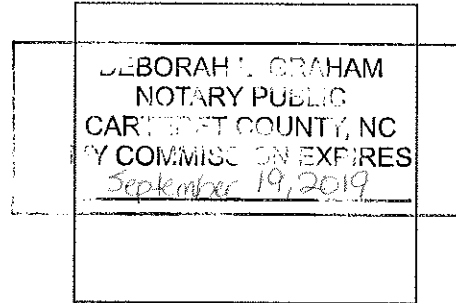
Date:

7-27-18

NORTH CAROLINA
Carteret COUNTY

I, Deborah L Graham, Notary Public in and for said County and State, do hereby certify that on the 27th day of July, 2018, before me personally appeared EVERETTE S. NEWTON, with whom I am personally acquainted, who, being by me duly sworn, says that he is the Mayor, and that MICHELE DAVIS, is the Town Clerk for the Town of Beaufort, the municipal corporation described in and which executed the foregoing instrument; that she knows the common seal of said municipal corporation; that the seal affixed to the foregoing instrument is said common seal; that the name of the municipal corporation was subscribed thereto by the said Mayor; that the said common seal was affixed, all by order of the Board of Commissioners of said municipal corporation; and that the said instrument is the act and deed of said municipal corporation.

Deborah L Graham



NOTARY SEAL/STAMP MUST APPEAR
LEGIBLY IN ABOVE BOX

NORTH CAROLINA
Carteret COUNTY

I, the undersigned Notary Public of the aforesaid County and State, do hereby certify that **Larry R. Jones** personally appeared before me this day and acknowledged (i) that he/she is the President of **INLET INN, INC.**, a North Carolina corporation, and (ii) that by authority duly given and as the act of such corporation, he/she signed the foregoing instrument in the name of such limited liability company on such limited liability company's behalf as its act and deed.

WITNESS my hand and notarial seal, this 27 day of July, 2018.

M Michele Davis
NOTARY PUBLIC

My Commission Expires:
6-22-2019



NOTARY SEAL STAMP MUST APPEAR
LEGIBLY IN ABOVE BOX