

PROPERTY LEASE AGREEMENT

THIS PROPERTY LEASE AGREEMENT ("Lease") is made and entered into this 1st day of July, 2026 (the "Effective Date"), by and between the Bisbee Unified School District No. 2, a political subdivision of the State of Arizona (hereinafter "Landlord"), and the City of Bisbee, a municipal corporation of the State of Arizona (hereinafter "Tenant"). Landlord and Tenant may hereinafter be collectively referred to as the "Parties" or individually as a "Party."

RECITALS

WHEREAS, Landlord is the owner of certain real property located at 519 Melody Lane, Bisbee, Arizona 85603 (the "Premises").

WHEREAS, Landlord desires to lease to Tenant, and Tenant desires to lease from Landlord, the Premises for use for Tenant's municipal needs, which shall include, but is not limited to, facilities for Camp Naco, the City Library, the Science Lab and other municipal uses.

NOW, THEREFORE, for and in consideration of the foregoing recitals and the mutual promises contained herein, the rents reserved herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

AGREEMENT

1. **Description of Premises.** Subject to the terms and conditions of this Lease, Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, that certain real property described in Exhibit "A" attached hereto and incorporated herein by reference as if fully set forth herein (the "Premises").

2. **Purpose of Lease; Use of Premises.**

a. The Premises shall be used by Tenant for its municipal needs, which shall include, but is not limited to, facilities for Camp Naco, the City Library, the Science Lab and other municipal uses (the "Permitted Use"). Nothing in this Lease shall be construed to create a statutory public dedication or conveyance of real property interest to any third party or to give any party other than Tenant and its successors and assigns any rights hereunder, except as expressly provided herein.

b. Notwithstanding the foregoing, in no event shall the Premises be used for any activity that involves the generation, storage, treatment, or release or threatened release of any Hazardous Substances (as hereinafter defined) or for any illegal activity whatsoever.

3. **Term.** This Lease shall commence on the Effective Date and shall run for thirty (30) years, terminate at 11:59 PM, local time, on the 30th anniversary of the Effective Date, or at such earlier time as herein provided (the "Initial Term"). Tenant shall have the option to renew this Lease (the "Renewal Option") for one (1) additional period of thirty (30) years (the "Renewal Term") by providing written notice to Landlord stating Tenant's decision to exercise such Renewal Option at

least ninety (180) days prior to the expiration of the Initial Term; provided, that (a) this Lease is in effect at the time of Tenant's exercise of the Renewal Option, and (b) Tenant is not in default of any of its obligations under this Lease at the time of Tenant's exercise of the Renewal Option.

4. **Early Termination.** This Lease may be terminated at any time as follows:

- a. Landlord may terminate this Lease immediately upon a default that threatens the health and safety of persons in or around the Premises or that may impose a liability to any person under any Environmental Laws (as hereinafter defined).
- b. Landlord may terminate this Lease upon the occurrence of any default in accordance with Section 10.

5. **Holding Over.** Tenant agrees not to hold over after the termination of the Lease Term. If Tenant does holdover, a new month-to-month tenancy is created which shall be subject to all of the terms and conditions of this Lease, except that such tenancy shall be terminable upon thirty (30) days written notice served by either Party.

6. **Rent.** Tenant shall pay Landlord one dollar (\$1.00) per year as rent for the Premises. The rent is first due and payable upon the Effective Date and payable on the anniversary date of the Effective Date each year thereafter. Payments shall be mailed to or made in person at the following location:

Bisbee USD No. 2
Attn: Finance Department
100 Old Douglas Road
Bisbee, Arizona 85603

In addition, Tenant agrees to do and perform the covenants and agreements contained in this Lease. The duty to pay rent as required herein shall survive this Lease. The Parties will negotiate any abatement and payment of Landlord's insurance costs in a separate agreement.

7. **Condition of Premises.** Premises are rented "as is." Tenant stipulates that it has examined the Premises, including the grounds and all buildings and improvements thereon and that Tenant takes the Premises in whatever condition it is in at the time of execution of this Lease. Upon termination or expiration of Lease, Tenant shall remove all of Tenant's personal property and fixtures, except those items permanently affixed (including but not limited to lighting fixtures, fans, plumbing fixtures) before vacating the Premises. If, upon the expiration or termination of this Lease, Tenant fails to remove all Tenant property that Tenant is required to remove, or if Tenant fails to repair damage caused by such removal, Landlord shall have the right to remove all Tenant property and repair such damage and collect upon demand from Tenant all costs incurred in such removal and/or repair. Tenant shall keep the Premises maintained in a clean and safe condition and shall remove from the Premises on a regular basis all trash, debris and other materials, deposited by Tenant, Tenant's respective guests and invitees, or the general public. Landlord shall have no responsibility whatsoever for repairs, maintenance or security of the Premises.

8. **Improvements.** Tenant intends to construct various improvements to the Premises, which shall be subject to Landlord's written consent, which consent shall not be unreasonable delayed or withheld. Tenant shall submit to Landlord, for Landlord's prior review and approval, its plans alterations to the Premises. Any such improvements shall be at Tenant's sole cost and expense. Upon completion of any such work as described in this Section, Tenant shall provide Landlord with complete as-built plans and information about all modifications to the Premises by Tenant or Tenant Parties.

9. **Utilities.** Tenant shall be solely responsible for arranging any necessary water, gas, heat, electricity, power, telecommunication service, trash removal, janitorial and all other services or utilities used with respect to the Premises. Tenant shall arrange for and pay prior to delinquency all charges for water, gas, heat, electricity, power, telecommunication service, trash removal, and all other services or utilities used with respect to the Premises. Any security deposit or connection charges required to furnish service to Tenant shall be paid by Tenant. Landlord shall not be liable for loss or damage incurred in connection with or incidental to the interruption or impairment of utility service to the Premises by any cause whatsoever.

10. **Default.**

a. The occurrence of any one or more of the following events shall constitute a material default and breach of this Lease by Tenant:

- i. On or after the first anniversary of the Effective Date, Tenant's abandoning or vacating the Premises for a period of more than forty-five (45) consecutive days or Tenant's failure to operate the Premises as provided in this Lease.
- ii. Tenant's failure to observe or perform any of Tenant's obligations under this Lease (except as provided in paragraph (i) above) where such failure continues for a period of thirty (30) days after notice from Landlord to Tenant.
- iii. Tenant's breach of any provision of this Lease where such breach continues for a period of thirty (30) days after notice from Landlord.

b. In the event of an uncured default by Tenant, Landlord may elect to do any one or more of the following:

- i. Terminate this Lease.
- ii. Enter on the Premises and repossess the same and remove and put out Tenant and each and every occupant.
- iii. Terminate possession by Tenant without terminating this Lease.

- iv. Commence legal proceedings against Tenant in the nature of forcible entry and detainer.

c. The remedies described in this Section shall be cumulative and not exclusive. If Landlord prevails in an action instituted by Landlord to compel performance or to recover for breach of any covenant, agreement or condition herein contained, Landlord shall be entitled to recover all costs and reasonable attorneys' fees as determined by the court in which such action is prosecuted.

11. **No Liens.** Tenant shall keep the Premises free and clear of all liens and encumbrances, including mechanics and materialmen's liens, claims, demands, obligations and liabilities and causes of action (each a "Claim" and collectively, "Claims") arising out of Tenant's or Tenant Parties' or their respective guests' or invitees' or the general public's use, presence on, and maintenance of the Premises. Tenant shall take full responsibility for and promptly discharge or bond over any Claim or alleged Claim.

12. **Liability and Responsibility.** To the fullest extent permitted by applicable law, Tenant shall take responsibility for, release, defend, protect and hold Landlord, its past, present and future corporate parents, subsidiaries and affiliates, and each of their past, current and future officers, directors, shareholders, employees and agents, and each of their respective successors and assigns (collectively, "Covered Parties"), harmless from and against any and all losses, damages, liabilities, claims, lawsuits, agency orders, attorneys' fees, costs, expenses, fines, penalties or response costs asserted against any Covered Party by any entity or individual, arising out of or in connection the use of the Premises by Tenant, any Tenant Party, any of their respective guests or invitees, or the general public. The provisions contained in this Section shall survive the expiration or termination of this Lease.

13. **Insurance.** Tenant shall carry and maintain, at its own expense, with reputable insurance companies, the insurance coverages described below (the territorial limits of which shall include all geographic areas covered by this Lease, and which shall include coverage for claims occurring during the duration of this Lease but not reported until a later date).

a. Worker's compensation insurance, including, without limitation, occupational disease, in accordance with the laws in effect in Arizona.

b. Employer's liability insurance coverage with a limit of not less than \$1,000,000 shall also be maintained by Tenant.

c. Commercial general liability insurance with a combined single limit for bodily injury (including illness and death at any time resulting therefrom) and property damage of such amount as Tenant customarily carries, without charge to its customers, for contracts of this type; however, not less than \$5,000,000 of such coverage shall be maintained on a combined single limit basis. Such insurance shall provide contractual liability; products and completed operations; sudden and accidental pollution liability coverage for Tenant's undertakings under this Lease; and it shall contain no exclusions or limitations with regard to explosion, collapse, or underground hazard coverage.

d. Each of the commercial general liability policies shall be endorsed to include Landlord its parents, affiliates and subsidiaries, and their respective directors, officers, and employees (collectively, the "Landlord Indemnified Parties") as additional insured to the extent of the obligations assumed by Tenant under this Lease and to apply on a primary basis as to other insurance available to Landlord. All policies required to be maintained by Tenant shall include a waiver of subrogation provision in favor of Landlord Indemnified Parties to the extent of the obligations assumed by Tenant under this Lease; however, the waiver of subrogation on the worker's compensation policy shall not be required if prohibited by the applicable regulatory authority. Upon request, Tenant shall provide to Landlord certificates of insurance and/or copies of policies evidencing compliance with the provisions of this Section. Tenant will provide to Landlord 30 days' prior written notice of cancellation or material change of the referenced insurance. Tenant shall be liable for any retentions or deductibles under the required insurance coverages.

14. **Landlord's Entry and Inspection.** Tenant shall permit Landlord and its authorized agents to enter the Premises at all reasonable times with advance notice to inspect and/or maintain the Premises, or to make repairs, alterations or additions to any other portion of the Premises or improvements thereon, without any rebate of rent to Tenant or damages for occupation or quiet enjoyment of the Premises. Within thirty (30) days prior to the expiration of the Lease, Tenant shall permit Landlord, or its employees and/or agents, at reasonable hours, to enter the Premises to show the Premises to prospective tenants.

15. **Asbestos Notice.** An asbestos inspection has not been conducted and the existence of asbestos material in the facility has not been determined.

16. **Non-Waiver For Breach.** The failure by Landlord to pursue a remedy of any default or breach of any term, covenant or condition herein contained is not deemed to be a waiver of such term, covenant or condition, or any subsequent breach of the same or other term, covenant or condition herein contained. The acceptance of rent hereunder shall not be a waiver of any breach by Tenant of any term, covenant or condition of this Lease.

17. **Modification.** No modification or amendment of this Lease shall be effective unless in writing and by both Parties.

18. **Successors and Assigns.** Tenant may not assign or delegate performance of all or any portion of its obligations hereunder without the prior written consent of Landlord, which shall not be unreasonably withheld. Except as provided in the previous sentence, this Lease shall be binding upon and inure to the benefit of the respective successors and assigns of the Parties.

19. **Force Majeure.** Should the Premises or any part thereof become unsafe, unsuitable for use or otherwise uninhabitable due to an act of God, nature, or act of war, or historical use of the Premises prior to the Effective Date, or other event beyond the control of Landlord, Landlord may, at its sole option, choose not to repair or replace the Premises, and no liability shall accrue to Landlord. Should Landlord determine that the Premises are beyond reasonable repair, Tenant shall be relieved of any further duty to pay Rent beyond the date the event occurs, and any Rent paid by

Tenant for any Rent period falling after the date of such event shall be promptly returned to Tenant. Tenant shall, if feasible, remove all personal property from the Premises. If Landlord elects to repair the Premises: (i) this Lease shall continue in full force and effect, but the Rent from the date of the event through the date of substantial completion of the repair shall be abated with regard to any portion of the Premises that Tenant is prevented from using by reason of such damage or its repair, and (ii) in no event shall Landlord be liable to Tenant by reason of any injury to or interference with Tenant's business or personal property, alterations, additions or improvements to the Premises arising from such event, or by reason of any repairs to the Premises necessitated by the event.

20. **Conflict of Interest.** This Lease shall be subject to the Conflict of Interest provisions of A.R.S. § 38-511, as amended.

21. **Execution.** This Lease may be executed electronically or in counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument. The partially executed signature page of any counterpart of this Lease may be attached to any other partially executed counterpart of this Lease without impairing the legal effect of the signature(s) on such signature page. Copies of the executed signature pages of this Lease provided by electronic correspondence or e-mail shall be effective and binding upon the parties as if such signatures were original signatures.

22. **Sublease.** Tenant shall not sublet or otherwise transfer this Lease, its rights or obligations hereunder, or its rights in and to the Premises by virtue of this Lease, in whole or in part, without the prior written consent of Landlord, which shall not be unreasonably withheld. The Parties acknowledge and agree that the City may sublease a portion of the Premises to the Bisbee Science Exploration and Research Center, and the Naco Heritage Alliance. Any other subletting without such written consent shall be null and void.

23. **Severability.** If any provision hereof is held invalid, the remainder of this Lease shall remain in full force and effect.

24. **Authority.** Tenant represents and warrants to Landlord that Tenant has the statutory power and authority to bind itself to the terms of this Lease and that all such power has been properly delegated to the individual signing this Lease on behalf of Tenant.

25. **Governing Law; Venue.** The formation, interpretation and performance of this Lease shall be governed by and construed in accordance with the laws of the State of Arizona, without regards to its conflict of laws principles. Any dispute arising out of or relating to this Lease (or its breach, termination or validity) is to be resolved by referral to state or federal courts sitting in Cochise County, Arizona, which shall have sole and exclusive jurisdiction over all litigation arising hereunder, and each Party consents to and attorns to the jurisdiction of such courts and waives any objection to venue in such courts.

26. **Attorneys' Fees.** If legal action is instituted by either Party to compel performance or to recover for breach of any covenant, agreement or condition herein contained, the losing Party shall reimburse the prevailing Party for its reasonable attorneys' fees, witness fees (including expert

witness fees), and other litigation-related expenses and disbursements as determined by the court in which such action is prosecuted.

27. **Entire Agreement.** This Lease constitutes the sole understanding and entire agreement of the Parties and supersedes any and all representations or agreements, oral or written, made prior or contemporaneous hereto pertaining to the Premises.

28. **Notices.** All notices and other communications to either Party shall be in writing and shall be sufficiently given if delivered in person or sent by certified or registered mail, return receipt requested, addressed as hereinafter set forth. Notices given by mail shall be deemed delivered as of the date of receipt. Until a change of address is communicated as provided herein, all notices shall be addressed as follows:

To Tenant:

City of Bisbee
ATTN: City Manager
118 Arizona Street
Bisbee, Arizona 85603

To Landlord:

Bisbee USD No. 2
ATTN: Superintendent
100 Old Douglas Road
Bisbee, Arizona 85603

If any Party changes its address, the Party must give written notice to the other Party. Notice of change of address is deemed effective five (5) business days after mailing by the Party changing address.

29. **Provisions Required by Law.** Each and every provision of law and any clause required by law to be in this Lease will be read and enforced as though it were included herein and, if through mistake or otherwise any such provision is not inserted, or is not correctly inserted, then upon the application of either Party, the Lease will promptly be physically amended to make such insertion or correction.

30. **Headings.** The headings of this Lease are for purposes of reference only and shall not limit or define the meaning of any provision of this Lease.

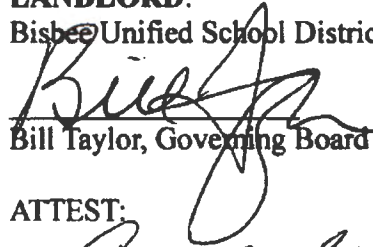
31. **Retention of Records.** All records in the possession of the Tenant pertaining to this Lease shall be retained for a period of three (3) years after the expiration of the Lease or any extensions thereof. All records shall be retained beyond the three (3) year period if audit findings have not been resolved within that period or if other disputes have not been resolved.

[Signatures on following page]

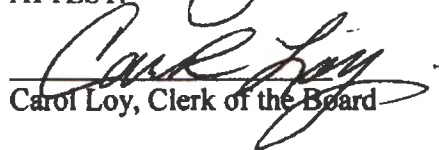
IN WITNESS WHEREOF, this Lease Agreement has been duly signed and executed by the Parties as of the Effective Date.

LANDLORD:

Bisbee Unified School District No. 2

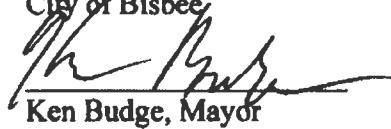

Bill Taylor, Governing Board President

ATTEST:

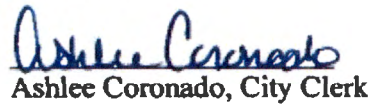

Carol Loy, Clerk of the Board

TENANT:

City of Bisbee


Ken Budge, Mayor

ATTEST:


Ashlee Coronado, City Clerk

APPROVED AS TO FORM:

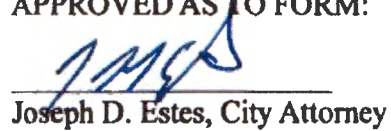

Joseph D. Estes, City Attorney

EXHIBIT "A"
TO PROPERTY LEASE AGREEMENT
Description of Premises

SAN RAFAEL TERRACE LOTS 49, 50, 51 & 52 & ABAND CAMINO HERMOSA ST
SURFACE TO DEPTH OF 100' OF PTN OF JOSIE Z, JOSIE #2 & SUNNYSIDE #2 MS#3579
PAT MINES WARREN MNG DIST BY M&B: BEG AT NW COR LOT 52 THN S10DEG
28MIN W136.88' THN S0DEG 28MIN W419.31' N79DEG 31MIN W59.34' TO POT OF
CURVE THN WLY 59.34' ALNG SAID CURVE CONCAVE SLY TO PT OF REVERSE
CURVE THN NWLY 39.27' ALNG CURVE CONCAVE NELY TO P.O.T. THN N0DEG 28MIN
E450.13' TO P.O.T. OF CURVE THN NELY 39.27' ALNG CURVE CONCAVE SELY TO P.O.T.
THN S89DEG 31MIN E336.95' TO P.O.T. OF CURVE THN ELY 45.38' ALNG SAID CURVE
CONCAVE SLY TO P.O.T. THN S79DEG 31MIN E352.26' TO POB