

LEASE  
BETWEEN  
ARIZONA PUBLIC SERVICE COMPANY  
AND  
GILA COUNTY  
FOR LAND GENERALLY LOCATED AT  
SR 188 AND ELECTRIC DRIVE, GLOBE, ARIZONA

BASIC LEASE INFORMATION

LEASE DATE: March 29, 2006

LESSOR: Arizona Public Service Company  
PO Box 53999 Station 2178  
Phoenix, Arizona 85072-3999  
Attn: Real Estate Leasing Administrator

LESSEE: Gila County  
~~PO Box~~ 1400 East Ash Street  
Globe, Arizona 85501

COMMENCEMENT: April 27, 2006

TERM: Five (5) years

RENEWAL OPTIONS: One (1) three year option to renew

SITE: .30 acres, listed as Parcel B in the legal description of  
which is attached as Appendix A

RENT: One (1) dollar per month

PERMITTED USE: Parking / impound lot

**SPECIAL TERMS:** **Lessee expressly acknowledges and agrees to, at Lessee's sole cost and expense, do a crack seal and then a chip seal of the parking lot described as Parcel B, in Appendix A. The work shall be completed no later than December 31, 2006.**

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The foregoing Lease Information is a part of the Lease. Each reference in the Lease to any of the Lease Information shall mean the respective information set forth above. Lessor and Lessee acknowledge that they have read and understand all of the provisions contained in the entire Lease and all Appendices which are a part thereof and agree that the Lease, including the Lease Information and all Appendices, reflects the entire understanding and reasonable expectations of Lessor and Lessee regarding the Property.

Lessor's Initials: ml  
Lessee's Initials: \_\_\_\_\_

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TABLE OF CONTENTS

<u>SECTION</u>	<u>TITLE</u>	<u>PAGE</u>
1	PARTIES	1
2	ENTIRE AGREEMENT	1
3	PROPERTY	1
4	TERM	1
5	RENEWAL OPTIONS	1
6	RATE AND PAYMENT	2
7	USE OF PROPERTY	2
8	GOOD HUSBANDRY	2
9	LIENS	3
10	INDEMNITY	3
11	INSURANCE	3
12	IMPROVEMENTS AND ALTERATIONS	4
13	ASSIGNMENT / SUBLETTING	4
14	TERMINATION FOR LESSEE'S DEFAULT	4
15	CONDITION OF PROPERTY ON TERMINATION	5
16	INSOLVENCY AND BANKRUPTCY	5
17	LEGAL EXPENSES	5
18	RIGHT OF ENTRY	6
19	SURRENDER	6
20	NOTICES	6
21	NO WAIVER	6
22	INUREMENT	7
23	SECTION HEADINGS	7
24	CANCELLATION	7
APPENDIX A	LEGAL DESCRIPTION/SURVEY	8

LEASE BETWEEN  
ARIZONA PUBLIC SERVICE COMPANY  
AND  
GILA COUNTY  
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1. PARTIES

The parties to this Lease are ARIZONA PUBLIC SERVICE COMPANY, hereinafter called "Lessor", and GILA COUNTY, hereinafter called "Lessee".

2. ENTIRE AGREEMENT

This Lease embodies the entire agreement between Lessor and Lessee. The parties shall not be bound by or be liable for any statement or representation of any nature not set forth in this Lease. Changes of any of the provisions of this Lease shall not be valid unless reduced to writing and signed by both parties.

3. PROPERTY

Subject to the terms and conditions of this Lease, Lessor agrees to lease to Lessee that certain property located in the Town of Globe, County of Gila, State of Arizona, consisting of approximately .30 acres, hereinafter referred to as the "Property" described in Appendix A, attached hereto.

4. TERM

The term of this Lease shall commence on April 27, 2006, and shall continue in effect until April 26, 2011.

5. RENEWAL OPTIONS

The renewal term shall be for a period of three years.

Upon mutual agreement of the Lessor and Lessee, Lessee may exercise such option to renew by notifying Lessor in writing at least 90 days prior to the term of the existing lease. The renewal term shall be subject to all of the terms and conditions of the lease.

6. RATE AND PAYMENT

Lessee agrees to pay Lessor a monthly rental for the Property of One (1) DOLLAR (\$1).

Rent shall be paid on or before the first day of each month during the term of this Lease.

Lessee shall pay by check, without notice, demand or any setoff whatsoever, mailed to the following address:

Arizona Public Service Company  
PO Box 53920  
Phoenix, Arizona 85072-3920  
Attn: Financial Services

7. USE OF PROPERTY

Lessee shall use the Property for the sole purpose of a parking/impound lot for vehicles, except upon prior written consent of Lessor.

Lessee shall comply with all laws and regulations applicable to the use or occupancy of the Property.

8. GOOD HUSBANDRY

Lessee shall, at Lessee's sole cost and expense, properly and promptly comply with any and all laws, permits, ordinances, rules, regulations, requirements, and orders whatsoever, present or future (collectively "Laws"), of the national, state, county or municipal government which may in any way apply to the use, maintenance or occupation, environmental or physical condition of, or operations on the Property.

Lessee shall not store, use or dispose of any Hazardous Substances, except for fuel contained in the tank used to operate the vehicle being stored. The term "Hazardous Substance" means any substance which has the characteristics of ignitability, corrosivity, toxicity, reactivity or radioactivity or has other characteristics determined to render the substance dangerous to health, safety or the environment pursuant to any existing or subsequently enacted federal, state or local law, regulation or ordinance. The term, "Hazardous Substance" includes, without limitation, substances defined as "hazardous material", "toxic substances", "hazardous waste", or "hazardous substances" in and federal, state or local law, regulation or ordinance.

Lessee shall immediately notify Lessor of any inquiry, test, investigation, enforcement proceeding by or against Lessee or the Property containing Hazardous Substances. If Lessee shall be required to submit information or written reports to any agency on or relating to any of the foregoing, Lessee shall concurrently provide Lessor with copies thereof. If Lessee fails to comply with any laws, then Lessor, without obligation to do so, may take all necessary steps to ensure compliance. In such event, Lessee shall reimburse Lessor, upon demand, for all costs and expenses which Lessor incurs, including any additional charges, assessments or penalties levied or charged against Lessor by reason of Lessee's failure to comply with such laws. Lessee will clean up all properties and maintain them in like manner during the term of the Lease.

9. LIENS

Lessee hereby agrees that Lessee will not permit or suffer any liens of any kind to be filed against the Property as a result of any obligation, malfeasance, negligence or mission of the Lessee, and that Lessee shall diligently take all necessary and proper steps to remove and discharge any liens which are filed.

10. INDEMNITY

Lessee shall indemnify, defend, and save harmless Lessor and all of its employees, agents, and representatives, from any and all claims demands, suits, actions, proceedings, loss, cost, and damages of every kind and description, including any attorneys' fees and/or litigation expenses, which may be brought, made against, or incurred by Lessor on account of loss or damage to any property and for injury to or death of any person, caused by, arising out of, or contributed to, in whole or in part, by reason of any alleged act, omission, fault, mistake, or to the rental of the Property under this Lease or by reason of any use, non-use, or condition of the Property created by or attributable to Lessee or Lessee's use or manner of use of the Property.

11. INSURANCE

Personal Property – It shall be the Lessee's responsibility to carry and maintain, at Lessee's sole expense, all insurance to cover Lessee's personal property.

Liability – Lessee shall, at all times during the term if this Lease, maintain and keep in force a policy or policies of insurance with reputable insurance companies which will adequately insure Lessor and Lessee against public liability and property damage in, on or about the Property. Minimum requirements for an "Owners, Landlords, and Tenants" policy or a "comprehensive general liability" policy shall provide coverage in the amount of at least \$300,000 bodily injury per individual, per occurrence and

\$1,000,000 property damage. The policy shall name Lessor as additional insured.

Lessee shall, within thirty (30) days from and after the execution of this Lease, cause to be issued to Lessor proper certificates of insurance evidencing that the foregoing covenant of Lessee has been complied with, and said certificate shall provide that if the underlying insurance is canceled or changed during the term of the policy, the insurance company shall notify Lessor in writing, and that no such cancellation or change shall become effective until ten (10) days from and after the date of receipt of such notice by Lessor.

12. IMPROVEMENTS AND ALTERATIONS

Lessee may not make improvements and/or alterations in and to the Property without first obtaining the written authorization of Lessor except as listed under section "Special Terms" in the Basic Lease Information.

Any improvements or alterations commenced by Lessee shall be completed expeditiously, subject to any delays beyond Lessee's control, and shall be in compliance with all laws, ordinances, rules, and regulations of any and all governmental authorities having jurisdiction over the Property. All such alterations and improvements, other than those constituting trade fixtures, shall become the property of Lessor upon the termination of this Lease at no cost to Lessor. Upon Lessor's approval or request for Lessee's removal of any of said alterations and improvements, Lessee shall repair any damage incurred to the Property by said removal, at Lessee's sole expense.

13. ASSIGNMENT/SUBLETTING

Lessee shall not assign this Lease or sublease any portion of the Property without the prior written consent of Lessor, and accordingly, any such assignment or subletting without such prior written consent of Lessor shall be void. Lessor shall have the right to assign or transfer this Lease, or any rights to it. In the event all or any portion of the lease is assigned or sublet to an entity by the Lessee as a result of Lessor's prior approval, said assignment or sublease shall not relieve Lessee from the obligations outlined herein.

14. TERMINATION FOR LESSEE'S DEFAULT

Lessor may terminate this Lease at its own option, without notice of termination to Lessee, and without any obligation to refund any rent or reimburse any expense; and reenter the Property without being guilty of trespass; and/or may exercise any other right or remedy provided by law should Lessee:

Default in the performance of any other provision of this Lease and continue in such default for a period of thirty (30) days after Lessor has made written demand to Lessee to cure such default.

In the case of Lessee's default or breach other than failure to pay rent, followed by notice thereof from Lessor, Lessee shall proceed with reasonable diligence and in good faith to cure any default specified in such notice within thirty (30) days. Should Lessee's curing of such default require more than a thirty (30) day period due to acts of God, war, or any other cause beyond Lessee's control, Lessee shall not be deemed to be in default for failure to cure said default, and Lessor will allow a reasonable additional time for the diligent curing of such default.

The rights and remedies of Lessor shall include, but not be limited to, enforcement of any rights or privileges hereunder, or of any promises or covenants hereunder by mandatory injunction, restraining order, or other equitable relief.

15. CONDITION OF PROPERTY ON TERMINATION

At the expiration or sooner termination of this Lease, upon vacating the Property, Lessee shall leave the property in good condition or better than the condition of the Property at the commencement of this Lease and free of Hazardous Substances.

16. INSOLVENCY AND BANKRUPTCY

In addition to any other rights or remedies of Lessor hereunder or at law, should Lessee be, or become, insolvent at any time during the term of this Lease; or should Lessee compound Lessee's debts or sign over Lessee's estate or effects for payments thereof; or, if Lessee causes any legal, or any other, officer to take possession of the Property by virtue of any execution or attachment; or, if any receiver or trustee is appointed of Lessee's property, or should Lessee be adjudged a bankrupt; then Lessor may, upon Lessor's election, enter the Property or any part thereof, to have, hold, possess, and this Lease shall be termination notwithstanding anything contained herein to the contrary.

17. LEGAL EXPENSES

Should any suit be instituted by Lessor or Lessee against the other in connection with this Lease, or for the recovery of rent or possession of the Property, the successful party to any such action shall recover from the other, reasonable attorney's fees and court costs in connection with said suit.

18. RIGHT OF ENTRY

Lessor, employees, agents or representatives may enter upon the Property at any time for the purpose of inspecting the Property and determining Lessee's compliance with the provisions of this Lease.

Lessor's employees, agents, or representatives may enter upon the Property at any time to construct, operate, or maintain its electric facilities on, over, or through the Property.

19. SURRENDER

Upon any termination of this Lease, Lessee shall peaceably surrender possession of the Property and all alterations and improvements, excluding Lessee's fixtures and equipment, and said Property shall become the property of Lessor.

20. NOTICES

All notices to be given hereunder by either party shall be in writing and shall be mailed, postage prepaid, first class, certified, or registered, return receipt requested.

The date of any notice by certified or registered mail shall be deemed to be the date of certification or registration thereof.

All notice shall be delivered or addressed to the parties as shown:

To Lessor: Arizona Public Service Company  
PO Box 53999 Station 2178  
Phoenix, Arizona 85072-3999  
Attn: Real Estate and Leasing Administrator

To Lessee: Gila County  
1400 East Ash Street  
Globe, Arizona 85501  
Attn: Gila County Board of Supervisors

21. NO WAIVER

Any waiver by any of the parties hereto of any breach of this Lease, or of any right of any party, shall not constitute a waiver of any other breach or of any other right.

22. INUREMENT

The terms, covenants, and conditions of this Lease shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, legal representatives, successors, and assigns.

23. SECTION HEADINGS

The section headings contained herein are inserted only for convenience of reference and are in no way to be construed as a part of this Lease or as a limitation on the scope or the particular sections to which they refer.

24. CANCELLATION

This lease is subject to the cancellation provisions of ARS Section 38-511.

**LESSOR:**

Arizona Public Service Co.

By: Nancy Lutey  
Nancy Lutey

Date: 6-1-06

Title: Real Estate & Facility Services Section Leader

**LESSEE:**

Gila County Board of Supervisors

By: Jose M. Sanchez  
Jose M. Sanchez, Chairman

Date: June 27, 2006

Title: Chairman

**ATTEST:**

Steven L. Besich

Steven L. Besich  
Clerk of the Gila County Board of Supervisors

**APPROVED AS TO FORM:**

Bryan Chambers  
Bryan Chambers  
2<sup>nd</sup> Chief Deputy  
Gila County Attorney's Office

