

LEASE AGREEMENT

This Lease Agreement ("Agreement") is entered into by and between the County of Cochise, hereinafter referred to as "LESSOR," and Rancho Relaxo Films, Inc., an Arizona Subchapter S corporation, hereinafter referred to as "LESSEE."

WHEREAS, the parties acknowledge that no existing lease agreement governs the subject premises; and

WHEREAS, the LESSEE wishes to lease Hangar III, a WWII-era metal structure located at the Bisbee-Douglas International Airport ("Airport"), for use as a movie sound studio and sound stage; and

WHEREAS, the LESSEE also intends to utilize the indoor hangar space for the following accessory uses, specifically for instruction in the use of drones in film production, as well as educational training to prepare individuals for FAA Part 107 certification as commercial drone pilots; such drone instruction and use shall be conducted strictly within the enclosed indoor area of Hangar III; and

WHEREAS, the parties acknowledge that this non-aeronautical use of Hangar III constitutes an interim use under FAA policy and is subject to reclamation should aeronautical demand require; and

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, the parties agree as follows:

ARTICLE I. LEASE

LESSOR hereby leases to LESSEE, and LESSEE hereby accepts, the premises known as Hangar III, located at the Bisbee-Douglas International Airport, for non-aeronautical use as a sound stage and movie production facility. A map of the leased premises is attached hereto as Exhibit A.

- A. LESSEE shall use the premises exclusively for the operation of a movie studio, sound stage, and indoor drone instruction training. No other use is permitted without prior written approval by LESSOR and the FAA, as required.
- B. Storage and use of hazardous materials are allowed only as necessary for production activities and must comply with applicable regulations.
- C. This lease is subject to all applicable FAA regulations and policies, including but not limited to FAA Order 5190.6B and the Policy on the Non-Aeronautical Use of Airport Hangars. LESSEE acknowledges that this use is interim in nature and does not constitute a permanent non-aeronautical assignment of airport property.
- D. Residential use is prohibited. Any use not specified herein is expressly disallowed.

**ARTICLE II.
TERM AND RIGHT TO RECLAIM**

The lease term shall commence on July 1, 2025, and terminate on May 30, 2040, unless earlier terminated as provided herein.

- A. LESSOR may terminate the lease with 30 days' written notice if the premises are needed for aeronautical purposes, consistent with FAA interim use requirements.
- B. LESSEE may cancel this lease after the second anniversary of the Commencement Date, upon 90 days' written notice to LESSOR.
- C. LESSEE acknowledges that all improvements made to the premises become the property of LESSOR upon termination, with no obligation of reimbursement by LESSOR.

**ARTICLE III.
LEASE PAYMENTS**

LESSEE shall pay to LESSOR \$3,750 per calendar quarter, due 15 days after each quarter's end. The lease rate shall be adjusted annually on the anniversary date based on the Consumer Price Index (CPI).

**ARTICLE IV.
TENANT IMPROVEMENTS**

- A. LESSEE shall perform tenant improvements necessary for operation, including HVAC, plumbing, electrical, insulation, and interior finishes.
- B. LESSEE shall submit to LESSOR a detailed improvement plan, including estimated costs and timeline. Improvements exceeding \$10,000 in value must be pre-approved by LESSOR.
- C. LESSOR may offset up to \$50,000 in approved improvements against rent on a dollar-for-dollar basis, subject to itemized invoices and satisfactory completion. All offsets must be used within the first five years of the lease.
- D. Any improvements specific to studio operations (e.g., sets, props, special equipment) shall not be eligible for rent offsets.
- E. Improvement milestones shall be documented and enforceable. Failure to meet milestones may result in lease default.
- F. LESSEE shall maintain the real property and improvements thereon in good repair and free of trash, weeds and other miscellaneous items of every kind and nature which are not being utilized in any actual operation on the leased premises.

**ARTICLE V.
INSURANCE, LIABILITY AND INDEMNITY**

LESSEE shall maintain insurance as required by FAA and County standards. To the fullest extent permitted by law, LESSEE (as "Indemnitor") hereby agrees to defend, indemnify, and hold harmless LESSOR, and its departments, agencies, officers, officials, agents, employees and volunteers (hereinafter referred to as "Indemnitee") from and against any and all claims, actions, liabilities, damages, losses, or expenses (including, but not limited to, court costs, attorneys' fees, and costs of claim processing, investigation and litigation) (hereinafter referred to as "Claims") for bodily injury or personal injury (including death), or loss or damage to tangible or intangible property caused as a direct or indirect result of any acts or omissions of LESSEE or any of its owners, officers, directors, agents, employees or subcontractors, regardless of whether or not such Claims are caused in part by a party indemnified hereunder. This indemnity includes, but is not limited to, any claim or amount arising out of, or recovered under, the Workers' Compensation Law or arising

out of the failure of such LESSEE to conform to any federal, state, or local law, statute, ordinance, rule, regulation, or court decree. It is agreed that LESSEE will be responsible for primary loss investigation, defense, and judgment costs where this indemnification is applicable. LESSEE shall not be obligated to defend Indemnatee against any Claims or indemnify Indemnatee resulting solely from the negligence or willful misconduct of Indemnatee and not in any way resulting from any act or omission of LESSEE or anyone directly or indirectly employed by LESSEE or anyone for whose acts LESSEE may be liable. The LESSEE agrees to waive all rights of subrogation against the County, its departments, agencies, officers, officials, agents, employees and volunteers for losses arising from this Lease Agreement. This indemnification shall survive the termination of this Lease Agreement.

Any insurance, its limits, amount and type required herein to be maintained by the LESSEE shall in no way be construed as limiting the scope of this Indemnity.

LESSOR shall not be responsible for, and assumes no liability arising from vandalism, fire, smoke, theft, damage or loss to LESSEE's property, including without limitation, the aircraft or any other items unless such vandalism, fire, smoke, theft, damage or loss is solely the fault of LESSOR. LESSEE hereby releases and discharges LESSOR from all claims, damages, losses, liabilities and demands by LESSEE for loss of or damage to LESSEE's person, employees, property, income or profit.

LESSEE shall procure and maintain during the term(s) of this Lease Agreement, insurance against claims for injury to persons or damage to property which may arise from or in connection with the terms of this Lease Agreement.

The insurance requirements herein are minimum requirements for this Agreement and in no way limit the indemnity covenants contained in this Agreement.

LESSOR in no way warrants that the minimum limits contained herein are sufficient to protect the LESSOR from liabilities that might arise out of this Lease Agreement, or any work performed by any subcontractors or employees per the terms of this Lease Agreement. LESSOR is free to purchase such additional insurance as may be determined necessary.

A. MINIMUM SCOPE AND LIMITS OF INSURANCE - Contractor shall provide coverage with limits of liability not less than those stated below:

1. Commercial General Liability-Aviation – Occurrence Form

Policy shall include bodily injury, property damage, products and completed operations, Hangarkeepers' liability, and broad form contractual liability coverage.

General Aggregate	\$2,000,000
Products – Completed Operations Aggregate	\$1,000,000
Personal and Advertising Injury	\$1,000,000
Fire Damage	\$100,000
Each Occurrence	\$1,000,000

- a. The policy shall be endorsed to include the following additional insured language: "The County of Cochise shall be named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of, the LESSEE".
- b. Additional Insured Endorsement shall include Contractor's ongoing and completed operations.
- c. Policy shall contain a waiver of subrogation endorsement, as required by this written contract, in favor of Cochise County, and its departments, agencies, officers, officials, agents, employees and volunteers for losses arising from work performed by or on behalf of the LESSEE.
- d. LESSEE's subcontractors shall be subject to the same minimum requirements identified above. LESSEE shall be responsible for ensuring and/or verifying that all subcontractors have valid and collectible insurance as evidenced by the certificates of insurance and endorsements for each subcontractor.

2. Property Insurance: LESSEE shall maintain Fire Legal Liability on all real property being leased, including improvements and betterments owned by LESSOR.

Coverage on LESSEE's Contents	100% Replacement Cost
Coverage on HANGAR(s)	100% Replacement Cost

- a. Property insurance shall be written on Causes of Loss Special Form (formerly "all risk") replacement cost coverage and shall name the LESSOR.

Combined Single Limit (CSL) \$1,000,000

- a. Policy shall not contain any restrictions of coverage with regard to operations on or near airport premises.
- b. The policy shall contain, or be endorsed to contain, The County of Cochise as an additional insured/named insured with respect to liability arising out of the activities performed by, or on behalf of the LESSEE, including automobiles owned, leased, hired or borrowed by the LESSEE.
- c. LESSEE's subcontractors shall be subject to the same minimum requirements identified in this section. LESSEE shall be responsible for ensuring and/or verifying that all subcontractors have valid and collectible insurance as evidenced by the certificates of insurance and endorsements for each subcontractor.

B. ADDITIONAL INSURANCE REQUIREMENTS: The policies shall include, or be endorsed to include the following provisions:

1. The LESSEE's insurance coverage shall be primary insurance, and that any insurance carried by the LESSOR shall be excess and non-contributory with respect to all other available sources.

C. NOTICE OF CANCELLATION: For each insurance policy required by the insurance provisions of this Agreement, LESSEE shall provide to the LESSOR, within two (2) business days of receipt, a notice if a policy is suspended, voided, canceled, reduced in coverage or endorsed to lower limits. Such notice shall be mailed, e-mailed, hand-delivered or sent by facsimile transmission to Facilities Director, Cochise County, Melody Lane, Building C, Bisbee, AZ 85603.

D. ACCEPTABILITY OF INSURERS Insurance is to be placed with insurers duly licensed or approved unlicensed companies in the state of Arizona and with an "A.M. Best" rating of not less than A- VIII. The LESSOR in no way warrants that the above-required minimum insurer rating is sufficient to protect the LESSEE from potential insurer insolvency.

E. VERIFICATION OF COVERAGE: LESSEE shall furnish the LESSOR with certificates of insurance (ACORD form or equivalent approved by the LESSOR) as required by this Agreement. The certificates for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf.

All certificates and endorsements are to be received and approved by the LESSOR before work commences. Each insurance policy required by this Agreement must be in effect at or prior to commencement of work under this Agreement and remain in effect for the duration of the Agreement. Failure to maintain the insurance policies as required by this Agreement or to provide evidence of renewal is a material breach of contract.

All certificates required by this Agreement shall have 'Cochise County, its departments, agencies, officers, officials, agents, employees and volunteers' and main County address as 'Certificate Holder' and be sent directly to (County Department Representative's Name and Address). The County project/agreement number and project description shall be noted on the certificate of insurance. The County reserves the right to require complete, certified copies of all insurance policies required by this Agreement at any time.

- F. SUBCONTRACTORS:** LESSEE's certificate(s) shall include all subcontractors as insureds under its policies or LESSEE shall be responsible for ensuring and/or verifying that all subcontractors have valid and collectible insurance as evidenced by the certificates of insurance and endorsements for each subcontractor. All coverages for subcontractors shall be subject to the minimum Insurance Requirements identified above. The LESSOR reserves the right to require, at any time throughout the life of this contract, proof from the LESSEE that its subcontractors have the required coverage.
- G. APPROVAL AND MODIFICATIONS:** The parties to this Lease understand and acknowledge that economic conditions, inflation, business expansion can change greatly over the course of the term of this Lease and, thus, the appropriate amounts of insurance may likewise change. If a change is appropriate, the parties agree to negotiate changes in amounts in good faith.

ARTICLE VI. COMPLIANCE AND OBSERVANCE

LESSEE shall comply with all federal, state, and local laws, including FAA regulations. This lease is subordinate to any conditions imposed by the federal government for the receipt of airport development funds.

**ARTICLE VII.
ENVIRONMENTAL REVIEW**

Prior to making any improvements, LESSEE shall provide detailed descriptions of work to determine whether additional environmental review or ALP update is required.

**ARTICLE VIII.
NON-TRANSFERABILITY**

LESSEE may not assign or sublet the premises without prior written consent from LESSOR and FAA approval, where applicable.

**ARTICLE IX.
FAA POLICY COMPLIANCE**

This lease shall include a provision that automatically adjusts rent to Fair Market Value (FMV) for any unapproved or non-incidental non-aeronautical use, in compliance with FAA Policy.

**ARTICLE X.
MONITORING AND ENFORCEMENT**

LESSOR agrees to develop and implement a monitoring program to ensure that non-aeronautical use of airport facilities remains compliant with FAA policy.

**ARTICLE XI.
DEFAULT, ENTRY, AND ENFORCEMENT**

LESSOR reserves the right to enter upon the premises at any reasonable time for the purpose of inspecting the same to determine that LESSEE is complying with all the terms, covenants and conditions contained herein. Prior to inspection, LESSOR shall provide forty-eight (48) hours advance notice to LESSEE.

**ARTICLE XII.
LEASE RENEWAL**

LESSEE may request a 10-year renewal upon lease expiration. Renewal is subject to FMV rent adjustment and FAA review.

**ARTICLE XII.
NOTICES**

Any written notice required to be given to LESSOR may be delivered in person or mailed to the director in charge of The Development Services Department-Cochise County, 1415 Melody Lane, Building E; Bisbee, AZ 85603, AND any such notice required to be given to LESSEE may be delivered in person or mailed to Rancho Relaxo Films, Inc, PO Box 1327, Tombstone AZ 85638.

**ARTICLE XIII.
TAXES AND ASSESSMENTS**

LESSEE shall pay any and all taxes or special assessments which may be levied or assessed against (1) the leased premises, and (2) LESSEE's interest in the leased premises.

**ARTICLE XIV.
DUPLICATE DOCUMENTS**

This Agreement consists of two (2) duplicate originals and shall become operative upon the affixing of the last signature provided for hereafter, or June 1, 2025, whichever event first occurs.


**ARTICLE XV.
ENTIRE AGREEMENT**

This Lease Agreement contains all the representations and the entire understanding and agreement between the parties pertaining to the use of the leased hangar area or any other matters connected therewith. All correspondence, memoranda, or oral or written agreements pertaining to the leased hangar area or the parties hereto, which originated before the date of this Lease Agreement are null, void and no longer in force and with no effect, and are replaced in total with this Lease Agreement unless otherwise expressly stated in this Lease Agreement. This Lease Agreement shall not be altered, amended, or modified except by a writing signed by LESSOR and LESSEE.

IN WITNESS WHEREOF, the parties have caused this Lease Agreement to be signed by their duly authorized representatives

LESSEE:

Rancho Relaxo Films, Inc.



Bobby Morton

6-19-25
Date

LESSOR:

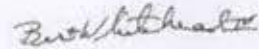
Frank Antenori, Chairman
Cochise County Board of Supervisors

Date

ATTEST:

Lara Loewenheim
Clerk of the Board

APPROVED AS TO FORM:



6/18/2025
Bert Whitehead IV, Esq.
Civil Deputy County Attorney



Exhibit A
Hanger 3 Location

