



# ARCHULETA COUNTY AIRPORT

## GROUND LEASE AGREEMENT

This Ground Lease Agreement is made effective as of 1 October 2021 by and between the Board of County Commissioners of Archuleta County, Colorado ("Landlord") and Mustang Air LLC ("Tenant").

1. **Background:** Landlord owns real estate at the Archuleta County Airport which is described on the attached Exhibit A and is also known as Archuleta County Airport **Hangar Site # 510 I** also known as the "Leased Premises".
2. **Grant of Leasehold:** Landlord hereby grants a leasehold interest to Tenant in the Leased Premises, and Tenant hereby agrees to accept the grant of the leasehold interest and hereby agrees to pay rent and to perform the other obligations specified in this Lease.
3. **Lease Term and Holdover:** The term of this Lease shall be for the period of twenty-five **(25) years**. Any holding over after the term of this Lease for purposes of negotiation or temporary convenience, with the consent of the Landlord, shall be considered to be a tenancy from month to month at the same prorated annual rental for the period immediately prior to the expiration of the Lease and shall be subject otherwise to the terms and conditions specified in this Lease.
4. **Rent:** The initial rental to be paid by the Tenant to Landlord is described as follows:
  - a. The Leased Premises consists of the footprint of the hangar structure. It is agreed by both parties that the Leased Premises consists of 2500 sq ft (50x50) square feet of land.
  - b. **\$ .51** annually per square foot of land **(as of January 2021)**
  - c. Accordingly, the rent payable for the first year of this Lease is \$ 1275.00. The first and last year's rent will be prorated, per day, to establish an annual rental year beginning January 1<sup>st</sup>. Thereafter, invoices for annual rental will be billed in January each year.
  - d. The rent to be paid during the term of this Lease shall be adjusted annually and reflected in the rent amount due for the coming year. Such adjustment shall be the most recently available 12-month change in the Consumer Price Index (CPI) for Denver, CO. *(In this document, the term "Consumer Price Index" shall mean the United States Department of Labor, Bureau of Labor Statistics, Consumer Price Index, all urban consumers, all items, Denver/Boulder/Greeley Urban.)*
  - e. Tenant shall be in default under Paragraph 24 below if at any time after commencement of the Lease Term Tenant fails to pay any installment of rent by the sixty-first (61<sup>st</sup>) day after the due date.

5. Construction of Improvements: Tenant shall cause to have constructed on the Leased Premises, at Tenant's sole expense, the Improvements as approved by Archuleta County Development Services. Construction of the Improvements shall be commenced within twelve (12) calendar months of the date of the Ground Lease Agreement, and Tenant shall diligently and reasonably proceed with such construction to completion. Commencement of construction shall mean, at a minimum, the approval by Archuleta County of detailed plans and receipt of a Building Permit and any other required licenses. The Improvements shall, at a minimum, comply with the requirements of the current Archuleta Building Code as published by the Archuleta County Building and Planning Department. The plans and specifications for the Improvements shall be approved in writing by the Airport Manager prior to submission of an application for a building permit.

- a. No long-term living quarters shall be constructed on Airport Property. This prohibition shall not preclude constructing facilities to provide temporary pilot quarters for use on an "as needed" basis, not to exceed stay of eight (8) nights (*i.e. Saturday through the following Sunday or 192 hours per stay*).
- b. Inspections: Landlord, at its expense, may inspect the construction of the Improvements during the course of or upon construction to ensure the construction conforms to the approved plans and specifications.
- c. Completion of Improvements: Tenant shall complete the Improvements within twenty-four (24) calendar months after the effective date of this Lease Agreement, unless such time is extended in writing by the Landlord. Completion shall mean substantial completion of the Improvements such that Archuleta County has issued a Certificate of Occupancy. Upon installation of any portion of the Improvements, Tenant shall not remove such Improvements, or any other structures, fixtures or additions to the Improvements or Leased Premises without the express written permission of the Landlord. If Tenant fails to commence or complete the Improvements on the schedule set forth in this paragraph, Tenant shall be in default under Paragraph 24 below.

6. Purpose and Use: The purpose of this Ground Lease Agreement is for use of Leased Premises for construction of Improvements for the storage of aircraft and for other activities incidental to the ownership of aircraft, including the storing of Tenant's vehicles and small equipment directly related to aircraft ownership or routine hangar maintenance, such as aircraft tugs, lawnmowers, snow blowers, etc. Tenant shall not store nor allow to be stored in the Improvements any flammable material other than gasoline or fuel contained in aircraft, vehicles or equipment themselves or fuel stored in approved containers of 5 gallons capacity or less.

Sub-lease: If Tenant desires to sub-lease or rent the Leased Premises, in whole or in part, written notice shall be provided to Landlord in advance of such arrangement. All terms and covenants of this Lease Agreement shall apply to the sub-lessee or renter. Should the sub-lessee not comply with all terms and covenants of this Lease, the Tenant must remedy the situation within 10 days of receiving written notice of the violation to the satisfaction of the Landlord.

Tenant agrees to conduct its business on the Leased Premises in compliance with all statutes, ordinances and other state, federal and local governmental regulations. Landlord has made no representations or warranties concerning the ability or right of Tenant to use the Leased Premises under any statute, ordinance or other governmental regulations including zoning and building ordinances and regulations of Archuleta County. Tenant agrees to accept the Leased Premises in their present condition as is, where is.

Tenant shall have the right to assign all rights and obligations under this Agreement to any person or entity via the sale (in whole or in part) of Leased Premises. Written notice shall be provided to Airport Management at least ten (10) days in advance of execution of such arrangement, and specific documentation of such transaction must be furnished.

7. Damage to or Total Loss of Improvements: In the event of any fire or other casualty not resulting in a constructive total loss to the Improvements, the Tenant shall have the obligation to repair and rebuild within twelve (12) months of the casualty.

In the event the Improvements are a constructive total loss, Tenant shall have the option to rebuild the Improvements in a manner which duplicates the prior Improvements as closely as possible within 24 calendar months of the casualty.

In the event Tenant does not repair and rebuild within the deadlines set above, the Landlord shall have the right to declare this Lease terminated on one hundred twenty (120) days written notice to Tenant. Reconstruction of Improvements shall be done in compliance with the terms of this Lease.

8. Debris Removal : If during the term of this Lease, a destructive act of fire, weather or accident causes significant damage or a constructive total loss to the Improvements, the debris thereby resulting must be removed within 60 days of the event. If in the sole opinion of the Airport Manager the debris presents a safety hazard, it will be the responsibility of the Tenant to have it removed immediately. If the Tenant does not act upon this request within 48 hours, the Airport Manager will have debris removed and will bill the Tenant the reasonable costs.

9. Liability Insurance: Tenant shall, throughout the term of the Lease, maintain a commercial liability insurance policy providing defense and indemnification against claims for injuries, death or property damages occurring on the Leased Premises. The limits of liability shall not be less than Five Hundred Thousand Dollars (\$500,000.00) per occurrence. The provisions, types and limits of coverage may be amended from time to time at the discretion of the Archuleta County Commission or to reflect changes or modifications in the Colorado Governmental Immunity Act.

10. Additional Requirements Regarding Insurance Policies: As to all policies of insurance maintained in compliance with Paragraph 9 above,
  - a. the policies shall require thirty (30) days notification to Landlord in the event of intended cancellation or other termination by the insurer,
  - b. Tenant shall within thirty (30) days of inception and renewal provide the Landlord with a certificate of insurance summarizing the coverage; and
  - c. the required coverage shall be written on an insurer authorized to do business in Colorado.
  
11. Repair and Maintenance of Leased Premises: Tenant shall be responsible for all repairs and replacements on the Improvements on the Leased Premises, subject to the specific provisions of Section 7 above. In the event Tenant fails to promptly commence necessary repairs for which it is responsible, or fails to diligently pursue the completion of such repairs, the Tenant shall be in default. Tenant shall not commit or suffer waste, impairment or deterioration of the Leased Premises or the Improvements thereon or any part thereof, reasonable wear and tear accepted. Tenant shall keep the Leased Premises free of all trash and debris.
  
12. Alterations: Tenant may make alterations to the Improvements on the Leased Premises subject to:
  - a. The prior written consent of Landlord. Landlord shall not unreasonably withhold its consent, so long as additions and modifications do not change the elevations or footprints of any buildings; and
  - b. The proposed alterations to the Improvements meet all other conditions and criteria set forth in this Lease, and all relevant and applicable regulations, codes and statutes governing or impacting the alterations.
  - c. The approval of any single improvement or alteration project shall not constitute Landlord's approval of any subsequent or additional project.
  
13. Signs: Signs are allowed only with the prior approval of the Airport Manager. Any such approved signs may be installed on the Leased Premises, Improvements thereon or anywhere else on the Archuleta County Airport in accordance with *Archuleta County Land Use Regulations, Section 7, Sign Regulations*.
  
14. Utilities: Tenant shall be responsible for determining availability of all desired utilities and shall directly pay all charges for services to Improvements on Leased Premises including, but not limited to water, sewer, electricity, natural gas, telephone, trash removal and any hookup charges or tap fees.
  
15. Indemnification: "Tenant", as used in this section, means the person or entity signing this Lease, and where they exist, Tenant's officers, directors, employees and agents. "Landlord", as used in this section, means Archuleta County, its Commissioners, elected or appointments officials, employees and agents. The Tenant agrees to indemnify and hold the Landlord free and harmless from loss from every claim and demand of whatever nature made on behalf of or by any person or persons for any wrongful act or omission on

the part of the Tenant, its agents or employees, and from all loss or damages by reason of such acts or omissions.

16. Inconvenience During Construction: Tenant recognizes that from time to time during the Lease Term, it will be necessary for Landlord to initiate and carry forward extensive construction, expansion and repair on Archuleta County Airport. Tenant acknowledges such construction, expansion and repair may inconvenience or temporarily interrupt Tenant and its operation at Archuleta County Airport. Tenant agrees that no liability shall attach to Landlord or contractors by reason of such inconvenience or interruption and in further consideration of the premises, Tenant waives any right to claim damages or losses of any kind.
17. Damages to Leased Premises: If at any time within 24 months before the end of the Lease Term, the Improvements are completely destroyed or so damaged by fire or other casualty so as to render them unfit for their intended use, and repair or restoration is not economically feasible, either party may terminate this Lease by giving at least ten (10) days, but not more than thirty (30) days notice in writing to the other party. Such notice must be must be given within sixty (60) days after the date of such damage or destruction. It remains the sole responsibility of the Tenant to remove all debris from the fire or other casualty before being allowed to terminate the Lease. If all requirements are met allowing the Lease to be terminated, all rent shall be prorated to the new date of termination.
18. Condemnation: In the event of condemnation, in whole or in part, Landlord shall be entitled to the portion of any award that is attributable to the value of the Leased Premises. Tenant shall be entitled to the portion of any award that is attributable to the Improvements constructed by the Tenant and the right to receive any benefits available to a Tenant by reason of the disruption of its business due to the condemnation including, but not limited to, any reasonable relocation benefits.
19. Covenant of Quiet Enjoyment: Landlord hereby represents that it has the full right and power to enter into this Lease and hereby covenants that Tenant shall have quiet possession of the Leased Premises throughout the Lease Term so long as Tenant complies with its obligations hereunder.
20. Subordination: Any person acquiring an interest in the Improvements through foreclosure of the mortgage or deed of trust, the possession, use or enjoyment of the Leased Premises will be not disturbed.
21. Estoppel Certificate: At the request of either party, the other party shall certify in writing;
  - a. this Lease is unmodified and in full force or effect, or if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect, and the date to which the rent and other charges are paid in advance, if any; and
  - b. acknowledging that there are not, to the party's knowledge, any uncured defaults on the part of the other hereunder, or specifying such defaults if they are claimed. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer of the Leased Premises or any prospective Tenant.

If any party fails or refuses to deliver any such written certificate within thirty (30) days after receiving a written request, the failure shall constitute a representation by the party failing or refusing: (a) that this Lease is in full force and effect, without modification except as may be represented by Landlord; (b) that there are no uncured defaults in the other party's performance; and (c) that not more than one (1) year's rent has been paid in advance.

22. Landlord's Access: Landlord reserves and retains for its officers, employees and authorized representatives, the full and unrestricted right to enter the Improvements without notice for emergency, safety and property preservation purposes at any time. Other inspections shall be allowed within a reasonable time of receipt of a written request from Landlord to confirm Tenant's compliance with the terms of the Lease. Such request shall be set forth the reason for the request.
23. Tenant's Mortgages: Tenant has the right to mortgage and pledge its interest hereunder in the Improvements except that no such mortgage shall extend to or affect the fee, the reversionary interest or the estate of Landlord in the Leased Premises. Tenant's right to mortgage its interest hereunder is subject to the following:
- a. Nonbinding Effect on Landlord: No mortgage of this Lease shall be binding upon Landlord in the enforcement of its rights under this Lease Agreement, nor shall Landlord be deemed to have any notice thereof, unless a fully conformed copy of the each instrument affecting such mortgage or assignment in form proper for recording is delivered to the Landlord.
  - b. Notice of Lease Default: If, before any default occurs in the Lease Agreement, the holder of any such mortgage gives Landlord a written notice containing the holders' name and office address, Landlord shall give the holder a copy of each notice of default by Tenant at the same time that Landlord gives such notice to Tenant. Each copy of such notice shall be deemed duly given to the holder when mailed to the holder at its address.
  - c. Cure of Default: Landlord shall accept performance by the holder of any such mortgage of any obligation of the Lease Agreement that Tenant is required to perform, with the same force and effect as if performed by Tenant, provided that at the time of such performance Landlord is furnished with satisfactory evidence that the person, firm or corporation tendering such performance or payment has the claimed interest in the Leased Premises.  
  
The holder of such mortgage shall have ninety (90) days after receipt of any Notice of Default within which to cure any default.
24. Defaults and Remedies: Upon default, Landlord shall have all rights and remedies available under the law including but not limited to the following:
- a. Landlord may declare the remaining term of this Lease terminated, and may enter and take complete possession of the Leased Premises and Improvements, whereupon the Tenant's right to occupy the Leased Premises and Improvements on the Leased Premises shall terminate.
  - b. Landlord shall have the right to a Landlord's Lien on the Improvements and personal property of the Tenant.

- c. If Tenant defaults on any of its obligations under this Lease, and if such default continues for sixty one (61) days after written notice thereof to Tenant, Landlord may take any actions or make any payments necessary to cure the default. Tenant shall be obligated to fully reimburse Landlord for the cost of any such actions or payments together with interest at the rate of eighteen percent (18%) per annum from the date of payment by Landlord to the date of reimbursement by Tenant.
- d. None of the above shall prevent the Tenant from selling the Improvements, conditioned upon the execution of a new Lease between the new owner and the Landlord, or by executing an Assignment of Lease prepared by the Airport Manager and signed by the Board of County Commissioners.

No waiver by Landlord or by Tenant of any breach of its obligations or covenants hereunder will be a waiver of any subsequent breach.

Landlord and Tenant shall also have the right, in lieu of filing suit and upon mutual agreement of both parties, to submit a dispute hereunder to binding arbitration, pursuant to the Colorado Uniform Arbitration Act, C.R.S. 13-22-201, *et seq.*

- 25. Conditions for the Granting of a New Lease Agreement: In the event that Tenant desires to continue occupying the Leased Premises after the original Lease term, Tenant may request Landlord to grant a new Lease Agreement subject to terms and conditions satisfactory to both parties. To the extent legally permissible and consistent with any regulations of the County that may be in effect at such time and prior to the releasing premises to a third party, Landlord shall offer Tenant a new Lease Agreement for the Leased Premises provided that the following conditions are met by Tenant:
  - a. Good Repair: The Leased Premises and all Improvements are in a state of good repair including all items that are structural and or aesthetic in nature. Landlord reserves the right in its sole discretion to determine what constitutes a state of “good repair”.
  - b. Compliance with all Other Provisions: There are no existing, uncured defaults in the Lease Agreement.
- 26. Attorney’s Fees in the Event of a Dispute: In the event of a dispute between Landlord and Tenant which results in litigation, arbitration or other dispute resolution proceeding, the prevailing party in such proceeding shall be awarded its costs and reasonable attorneys’ fees.
- 27. Agreements with the United States and /or Colorado Governments: This Lease is subject and subordinate to the terms, reservations, provisions and conditions of any existing or future agreement between Landlord and the United States or the State of Colorado relative to the operation or maintenance of the Archuleta County Airport, the execution of which has been or may be required as a condition precedent to the expenditure of Federal or State funds for the development of said Airport. Furthermore, this Lease may be amended to include provisions required by these agreements with the United States or State of Colorado.

28. Airport Rules and Regulations: In addition to all provisions of this Lease, Tenant agrees not be party to any actions that would compromise safety or reflect negatively on the Airport. Tenant agrees to comply with the following documents now in effect or hereafter adopted or amended: The Archuleta County Airport Minimum Standards Document, The Archuleta County Airport Policy and Procedure Manual, Building and Fire codes and all other policies, rules and regulations adopted or amended by Archuleta County in the future.
29. Federal Aviation Administration Lease Requirements:
- a. Tenant does hereby agree “as a covenant running with the land” that no person on the grounds of race, gender, disability, religion, color or national origin shall be excluded from the participation in, denied the benefits of, or otherwise be subjected to discrimination in the use of the Leased Premises or Improvements.
  - b. Tenant shall use the above paragraph in compliance with all other requirements imposed by Title 49, Code of Federal Regulations, Department of Transportation, Subtitle A, Office of the Secretary of State, Part 21, Nondiscrimination in federally assisted programs on the Department of Transportation- Effectuation of Title VI of the Civil Rights Act of 1964 and as said regulations may be amended.
  - c. It is understood and agreed that nothing contained in this Lease shall be construed to grant or authorize the granting of an exclusive right or privilege within the meaning of Section 308 of the Federal Aviation Act.
  - d. Tenant, by accepting this Lease, expressly agrees for itself, its successors and assigns, that it will not make use of the Leased Premises in any manner which might interfere with the taxiing, landing or takeoff of aircraft (or any safe operation thereof) at Archuleta County Airport or otherwise constitute a hazard. In the event the aforementioned covenant is breached, Landlord reserves the right to enter upon the Leased Premises and cause the abatement at the sole expense of the Tenant.
30. Miscellaneous:
- a. Time is of the essence in all provisions of this Lease.
  - b. Colorado law will be used in the interpretation and construction of this Lease and the resolution of all disputes hereunder. If any legal action is necessary to enforce the terms and conditions of this Agreement, the parties agree that the jurisdiction and venue for bringing such action shall be in Archuleta County, Colorado.
  - c. This Lease is binding upon and will inure to the benefit of the parties hereto, their corporate successors, their personal representatives, heirs, devisees and assignees.
  - d. The provisions of this Lease may be amended only in writing signed by both parties.
  - e. Paragraph headings are for convenience only and shall not be considered in any controversy involving the meaning and interest of this Lease.



- f. Any notice permitted or required by this Lease may be given by written notice upon the party to whom the notice is given or by mailing the written notice by certified mail, postage prepaid, or via courier, to the other party.

Notice to Landlord shall be delivered as follows:

<u>Mail:</u>	Airport Manager Archuleta County Airport P. O. Box 4666 Pagosa Springs, CO 81147	<u>Courier:</u>	Airport Manager 61 Aviation Court Pagosa Springs, CO 81147 Phone 1-970-731-3060
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Notice to Tenant shall be mailed or delivered as follows:

Mail

*MUSTANG AIR LLC  
564 BLANCA PLACE  
PAGOSA SPRINGS, CO 81147*

- g. If any term or provision of this Lease shall be adjudicated to be invalid, illegal or unenforceable, this Lease shall be deemed amended to delete therefrom the term or provision thus adjudicated to be invalid, illegal or unenforceable and the validity of the other terms and provision of this Agreement shall not be affected thereby.
- h. This Lease shall be executed in two or more counterparts, each of which shall be deemed to be an original, and all of which together shall constitute one and the same original instrument. "Fax" machine copies of an original signature by either party shall be binding as if they were original signatures.
- i. No failure by either party to exercise any right it may have hereunder shall be deemed a waiver of that right or of the right to demand compliance with the terms of this Lease.
- j. This Agreement shall be subject to and conditioned upon appropriation of funds by the Archuleta Board of County Commissioners. Any financial obligations of the County payable after the current fiscal year are contingent upon funds for that purpose being appropriated, budgeted or otherwise made available.
- k. This agreement supersedes and replaces any lease agreement or amendment previously executed; all previous agreements are cancelled by the mutual consent of the parties upon signing of this document.
31. Illegal Aliens: The Tenant certifies that it shall comply with the provisions of CRS 8-17.5-101, et seq. The Tenant shall not knowingly employ or contract with an illegal alien to perform work under this Lease or enter into a contract or lease with a contractor or sub-tenant that knowingly employs or contracts with an illegal alien to perform work under this contract. Provided further, the parties agree that this is not a public contract for services and therefore the language of CRS 8-17.5-102 while incorporated herein by this reference, is not set forth.

SIGNATURE PAGE TO GROUND LEASE AGREEMENT

In Witness Whereof, the parties hereto have executed this Lease on the day and year first written above.

LANDLORD:

TENANT:

Archuleta County Board of County Commissioners  
Name

Mustang Air LLC  
Name

\_\_\_\_\_  
Signature

  
Signature

\_\_\_\_\_  
Printed Name of Signer

Barry K. SHELTON  
Printed Name of Signer

\_\_\_\_\_  
Title

NA  
Title

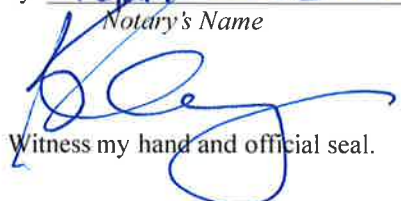
ACKNOWLEDGEMENT OF TENANT'S SIGNATURE

STATE OF Colorado

COUNTY OF Archuleta

The foregoing instrument was acknowledged before me this 15<sup>th</sup> day of September, 2021

by Maryann Engelke, the Notary Public, for MUSTANG AIR LLC  
*Notary's Name Title Tenant's Name*

  
Witness my hand and official seal.



My commission expires: 3/27/2024