

LAW OFFICE
ALVA A. HARRIS
171 South Emerson
SHELLEY, IDAHO 83274
(208) 327-3448

Assignment of "Lease and Agreement"
for
Security Purposes

Blue Tag Farms, Inc, a Nevada Corporation, and Lessee under a certain Lease and Agreement it executed with T Lazy S Ranch, a partnership, as "Lessor" and attached hereto as exhibit "A" and incorporated herein, does hereby assign all its right, title, and interest in said "Lease and Agreement" to Nevada National Bank, a Nevada Corporation as a security device to secure the payment of one promissory note dated April 25, 1977 for \$800,000.00 designated "Equipment Loan" and payable in installments with maturity date of May 15, 1984.

The terms of this assignment are as follows:

1. Nevada National Bank has no rights in said lease so long as Blue Tag Farms, Inc. is not in default of said promissory note;
2. This assignment becomes null and void upon the payment to Nevada National Bank of all sums received by Blue Tag Farms, Inc. pursuant to said note;
3. This assignment becomes absolute and Nevada National Bank is entitled to all the rights and privileges and becomes subject to all the obligations and responsibilities of said "Lease and Agreement" in the event Blue Tag Farms, Inc. is unable to correct any default of the promissory note within thirty (30) days after receipt of notice of default.

DATED this 26th day of April, 1977.

Blue Tag Farms, Inc.

BY *Donnell S. Cook*
Vice-President

BY *[Signature]*
Secretary

LAW OFFICE
ALVA A. HARRIS
171 South Emerson
SHELLEY, IDAHO 83744
(208) 387-3448

~~T Lazy S Farms~~

~~Lazy S Ranch~~ hereby acknowledges notice of this
Assignment for Security purposes and acknowledges this
document subject to all terms and conditions of paragraph
J. Liens and Encumbrances of said Lease and Agreement.

~~T Lazy S Farms~~

~~Lazy S Ranch~~

BY

C. B. Harrison
Partner

J
T LAZY S RANCH
BATTLE MOUNTAIN • NEVADA

April 27, 1977

Mr. Alva A. Harris
Blue Tag Farms, Inc.
177 South Emerson
Shelley, Idaho 83274

Dear Mr. Harris,

T LAZY S FARMS
This letter confirms that ~~T Lazy S Ranch~~ has reviewed the improvements installed to date and those presently being constructed including roads, fences, powerlines, wells, and mainlines. The locations and specifications conform to the plans and specifications which we verbally agreed to previously hereto.

Plans for storage and processing facilities and other improvements will be reviewed as soon as they are finalized and made available to us.

We therefore consider Blue Tag Farms, Inc. to be in compliance with paragraph 6 of our Agreement of March 15, 1976.

Sincerely,

C. B. Thornton, Jr.
C. B. Thornton, Jr., Partner

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REF. TO: BOX 232, BATTLE MOUNTAIN, NV 89820 • ASK OPERATOR FOR T LAZY S RANCH NO. 1
 BOX T BEAUFORT HILLS, CA 90213 • (213) 276-1111

LEASE AND AGREEMENT

THIS LEASE is made and entered into on this 15
day of MARCH, 1976, by and between T LAZY S RANCH,
A PARTNERSHIP, hereinafter called "Lessor" and BLUE TAG FARMS,
INC., a Nevada Corporation, hereinafter called "Lessee,"

W I T N E S S E T : :

THAT, for and in consideration of the rentals hereinafter provided, and the covenants and agreements hereinafter contained, the parties to this Lease agree as follows:

1. Leased Premises. Lessor hereby leases to Lessee:

The Southwest One-Quarter (SW $\frac{1}{4}$) of Section 1; the South One-Half (S $\frac{1}{2}$) of Section 2; all of Section 11; the West One-Half (W $\frac{1}{2}$) of Section 12; the Northwest One-Quarter (NW $\frac{1}{4}$) of Section 13; all of Section 14; and the West One-Half (W $\frac{1}{2}$) and the Northeast One-Quarter (NE $\frac{1}{4}$) of Section 23, all in Township 33 North, Range 49 East, M D B & M

in Eureka County, Nevada, to be known also as Parcel A and hereinafter referred to as the "Leased Premises," and containing two thousand seven hundred twenty (2720) acres, more or less. The parties understand and agree that Lessor is not bound by and does not warrant the acreage hereinabove stated and that in this Lease, all calculations will be made as if each section contains a full six hundred forty (640) acres.

2. Term. The term of this Lease shall be for a period of fifteen (15) years commencing on the 1st day of November, 1976, ending on the 31st day of October, 1991.

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However, Lessor shall have the right to terminate this Lease prior to the expiration hereof after twelve (12) years from the commencement of the Lease Period (i.e. November 1, 1976) at any time during the months of November through March by payment to Lessee or lienholder, if any, on the leasehold improvements, of the following amount:

Remaining term of Lease for Parcel A	X	Original cost of potato storage and weighing facilities required for Parcel A.
<hr/>		
15 year term of Lease for Parcel A		

Prior to commencement of the Lease Period, Lessee shall have the right to enter upon leased premises for the sole purpose of surveying, laying out, and constructing wells, fencing, and other permanent equipment installations as defined in Section 8 of this agreement.

3. Rent.

a. Base Rental. In consideration of Lessor leasing the leased premises to the Lessee, Lessee hereby agrees to pay to the Lessor as a base annual rental, the sum of Sixty-Eight Thousand Dollars (\$68,000). Such base rent will be paid in cash in advance on the first day of each February, during the term of this Lease, provided however, for the years 1977, 1978, and 1979 the rental shall be reduced to Twenty-Seven Thousand Two Hundred (\$27,200).

b. Adjustment to Base Rental. As additional consideration for this Lease, the base rent payments shall be adjusted annually during the term of this Lease in proportion to the fluctuation in the U.S. Department of Labor's Consumers Price Index (CPI) published by the Bureau

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of Labor Statistics, as hereinafter provided. For the purpose of this paragraph, the base month is December, 1974, and the base rent shall be adjusted on each February 1, during the term of this Lease commencing February 1, 1976 by multiplying the base rent set forth in 3a. above by a fraction, the numerator of which will be the CPI for the month of December next preceding the date of adjustment and the denominator shall be the CPI for December, 1974, provided however, that no adjustment shall be made which would cause the base rent to be less than Twenty-Five Dollars (\$25.00) per acre per year. The adjustment will be calculated as soon as the necessary information is available. If such calculation has not been obtained, payments will be made when due on the basis of the most recent adjusted figure and as soon as the calculation has been determined any deficiency in the adjusted payments will be immediately paid by Lessee to Lessor and any surplus will be applied on the next due payment.

4. Option on Additional Acreage. Within three (3) years of the date of this agreement, Lessee shall have the option to lease an additional Eight Hundred (800) acres more or less adjacent to the above leased premises from Lessor under the following provisions:

- a. Premises subject to option shall consist of:

The East One-Half ($E\frac{1}{2}$)
of Section 10; the East One-Half ($E\frac{1}{2}$) of Section

15; and the Northeast One-Quarter (NE 1/4) of Section 22, all in Township 33 North, Range 49 East,

M D B & M, in the County of Eureka, Nevada, and shall be known as Parcel B.

- b. The term shall be for a period of fifteen (15) years. However, Lessor shall have the right to terminate prior to such fifteen (15) year term after ten (10) years from the date of exercise of this option, but not before termination of the lease for Parcel A, at any time during the months of November through March by payment to Lessee or lienholder, if any, on leasehold improvements of the following amount:

Remaining term of Lease for Parcel B	X	Original cost of potato storage and weighing facilities required for Parcel B.
15 year term of Lease for Parcel B		

- c. Base rental will be Twenty Thousand Dollars (\$20,000) annually, such base rent payments to be adjusted as provided in paragraph 3b. above. However, for the years 1977, 1978, and 1979 the rental shall be reduced to Eight Thousand Dollars (\$8,000).

5. Interest of Lessor in Lessee. In further consideration of the rentals hereinafter provided, Lessor shall receive a two and one-half percent (2 1/2%) undivided interest in Lessee with all rights and interests thereto. Such interest will be in the form of a proportionate share

of all classes of the stock of Lessee. Lessor's interest shall be protected from dilution as a result of any and all contributions, investments, or loans of other stockholders and their families during the term of this lease. to 20

It is understood by both parties that the financial records of Lessee shall be maintained in accordance with generally accepted accounting practices and that all transactions by Lessee shall be conducted on an arms length basis and subject to competitive bid.

6. Plans Subject to Approval of Lessor: Prior to installation or erection of any improvements, Lessee shall submit site plans and detailed specifications to Lessor for approval. Such plans and specifications shall include, but not be limited to:

- a. location of roads, fences, and cattle guards;
 - b. location of power lines;
 - c. location of all wells and main lines;
 - d. location of storage, processing, and domestic facilities; and
 - e. specifications of all improvements to be installed and erected.
- to 110

Lessor shall have thirty (30) days to approve or reject such plans and specifications; however, Lessor shall not unreasonably withhold such approval.

Upon approval, as set forth above, Lessor shall execute such easements for well sites, roads, and water and power lines as may be necessary for access to the leased premises.

7. Covenants of Lessor.

a. Well Permits. Lessor will provide a valid well permit for each three hundred twenty (320) acres included in the leased premises on a best efforts basis.

b. Sharing of Costs. Lessor agrees to pay to Lessee one-half (1/2) of the cost of drilling, completing and testing the first two wells drilled by Lessee within thirty (30) days of presentation of invoices covering such costs.

c. Taxes. Lessor will pay the Real Estate taxes on the leased premises subject to the provision 8.h.

8. Covenants of Lessee.

a. Sharing of Costs. Upon execution of this agreement, Lessee agrees to pay to Lessor the sum of two-thousand, one-hundred sixty-five dollars (\$2,165) which is one-half (1/2) of Lessor's cost in drilling a test well on the leased premises.

b. Wells. The Lessee agrees to drill one (1) test well to a depth of at least five hundred (500) feet, or such lesser depth as which solid impervious rock is encountered, for each four hundred (400) acres or less included in the leased premises for which Lessor has obtained a well permit. *have 1*

Lessee shall commence drilling of the first two (2) such wells within thirty (30) days of the date of this agreement. *4/28/03*
Lessee shall not be required to drill more than one (1) test well for each four hundred (400) acres but may do so.

Within thirty (30) days after work is stopped on any test well because of failure to be able to produce an economical well, that being defined as a well which will produce at least two thousand (2,000) GPM from a pumping level of five hundred (500)

feet or less, Lessee shall give Lessor written notice whether Lessee will drill another well or not. If Lessee gives notice that Lessee will drill another test well, such test well shall be promptly commenced and the drilling thereof diligently pursued until it is either completed as an economical well or abandoned after it is drilled to a depth of at least five hundred (500) feet or such lesser depth at which solid impervious rock is encountered and has been proved to not be an economical well. There shall be maintained on each test well drilled a sieve analysis of each water bearing strata and an induction electrical log with self potential curve which shall be delivered to Lessor and shall be the separate property of the Lessor. The Lessee understands that well permits require development and proof of beneficial use prior to specified dates. Lessee agrees to drill test wells and develop wells, which prove to be economical in such a manner that well permits will not be lost for failure to develop them in accordance with and within the time periods permitted and set forth in the permits. Lessee shall be liable to Lessor for any damage suffered by Lessor by reason of his failure to comply with his obligations hereunder.

c. Permanent Equipment Installations. Lessee shall install and maintain in good condition at the sole cost and expense of Lessee, an irrigation system on each one hundred sixty (160) acres for which an economical well has been drilled; such system to supply one thousand (1,000) GPM through main lines not less than ten (10) inches in diameter and laterals not more than one-fourth (1/4) mile in

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length with pressure at any sprinkler not less than fifty (50) pounds per square inch under normal operation. Main lines will be designed so that total friction under normal operation shall not exceed ten percent (10%) of the total dynamic head. Each well and irrigation system shall be fully equipped with motors, pumps, electrical panels, and all appurtenant connections which will be furnished and maintained in good condition at the sole expense and cost of Lessee.

In addition, Lessee shall construct and maintain in good condition at the sole cost and expense of Lessee permanent steel and/or concrete potato storage facilities to store potatoes from the farming operations on the leased premises. Such storage facilities shall be adequate to reasonably store and ship potatoes. *eliminate*

All such permanent equipment (other than portable above ground aluminum equipment or above ground mechanical move equipment used for the distribution of water) shall remain on the leased premises at all times with title and ownership to all of such property in Lessee and vesting in Lessor upon termination of the Lease subject only to those liens and encumbrances as provided in 8.j. below.

d. Fences. Lessee shall construct a good and sufficient five-wire livestock fence around the leased premises, plus necessary gates and cattle guards, which are suitable and sufficient to turn out livestock and to complete said fence not later than sixty (60) days after commencement of construction of permanent equipment installations. Lessee shall be responsible for maintenance of such fencing and Lessor shall have no liability for crop or property damage to Lessee

result of Lessor's little stock on the leased premises.

e. Stockwater. Lessee shall provide taps on main lines of at least three (3) inches in diameter in locations designated by Lessor for the purpose of providing stockwater. Lessor may install at his sole cost and expense such facilities as may be required to draw water from such taps to points outside the leased premises. Lessor's right to draw stockwater without compensation to Lessee shall be limited to one thousand (1,000) gallons per day for each irrigation well on leased premises. Such right of Lessor will be non-cumulative and shall not interfere with Lessee's irrigation pattern.

f. Farming Operation. Lessee shall conduct a continuous farming operation on the leased premises in a good and farmerlike manner. Good crop rotation policies will be followed in such a manner that during any five (5) year period no more than forty percent (40%) of such land on average shall have been cultivated to potatoes, no less than twenty percent (20%) cultivated to alfalfa or comparable soil conserving crop, and the remaining acreage cultivated to grain. Lessee shall diligently utilize all reasonable and practical measures to prevent infestation of Nematodes on leased premises.

g. Operating Costs. All costs necessary to carry on the operations of the Lessee in a good and farmerlike manner will be paid for by the Lessee including but not limited to utilities, ground preparation, certified seed, costs of planting, cultivation, fertilizing, weeding, irrigation, and harvesting of crops.

h. Taxes. Lessee shall pay all taxes and assessments on his operations when due and shall pay to Lessor annually on or before July 1st of each year an amount equal to the amount of the taxes and assessments on the leased premises then due and payable over and above the amount of such taxes assessed against the leased premises for the tax year ended on June 30, 1975.

i. Livestock on Leased Premises. Lessee will permit no livestock on leased premises other than those owned or controlled by Lessor without the permission of Lessor.

j. Liens and Encumbrances. Lessee may encumber Lessee's leasehold interest in the leased lands for the purpose of installing and constructing improvements on the leased lands, provided however, that notice to Lessor of such lien and encumbrance instrument must be shown by Lessor executing an acknowledgment of receipt of such instruments. Furthermore, such lien and encumbrance instruments shall clearly state that under no circumstances shall a lien be created against the real property of Lessor or the owner thereof. The indebtedness secured by such liens shall have a term of no greater than ten (10) years from commencement of the Lease Period or as to Parcel B from the date of any options exercised hereunder, providing for amortization on a straight line basis. Any lien existing after ten (10) years from the commencement of the Lease Period shall be subject to the default provisions of this agreement. Lessee shall indemnify and hold Lessor harmless from any liens or encumbrances created hereunder. Other than the foregoing, Lessee shall not have the right, privilege or power to in any way create any lien

or encumbrance upon the interest of Lessor in the leased lands or the owner thereof.

k. Surrender at Termination. Lessee shall peaceably deliver up and surrender possession of the leased lands upon the expiration or sooner termination of this Lease, including, without limitation, the wells, pumps, motors, electrical panels, main lines and potato storage and processing facilities thereon, free and clear of all liens and encumbrances.

l. Security. The Parties agree to cooperate with all reasonable security measures to protect their respective interests, including the closing and locking of gates, the reporting of any discovered damage to fences and other improvements, and the reporting of any observed incidents involving the destruction of livestock or other property of Lessor or Lessee.

In addition, Lessee agrees to mark all vehicles owned by it, its employees, agents, and tenants, used regularly on subject premises with suitable marking at least three (3) feet in height for aerial and ground identification. The form of such marking will be mutually agreed to by Lessee and Lessor.

Lessee agrees to conduct all its activities in such a way as to minimize danger to livestock and to remedy any unforeseen hazards which result in livestock loss. Lessee agrees to notify Lessor of any known loss of livestock and to pay the market value or replace, at the option of Lessor, any livestock lost as a result of activities of Lessee.

Lessee recognizes that it shall have no right to enter upon lands of Lessor except on the leased premises and along easements granted for access thereto. Lessee will instruct its employees, agents, and tenants to obtain permission from Lessor before entering upon Lessor's lands outside of the leased premises.

m. Lessor's Right of Entry. The Lessor reserves the right, in person, or by and through his agents, employees, heirs or assigns, to enter upon the leased premises at any reasonable time to view and inspect the same and to provide for access to Lessor's lands adjacent to leased premises.

9. Other Provisions.

a. Right of Lessee to Release Land. In the event an economic well as herein defined, is not obtained for any quarter section, or in the event an economic well is obtained but thereafter declines in performance so that it ceases to be an economic well as herein defined, Lessee at his option is given the right to release the quarter section served by such well and the Lessee will thereupon peacefully surrender to Lessor such released real property and the salvage value of all irrigation equipment on the released real property which would otherwise have become the property of the Lessor on the termination of this Lease at the end of the term of this Lease, the Lessee receiving the salvage value multiplied by a fraction the numerator of which is the unexpired term of the lease at the time of the surrender of peaceful possession and the denominator of which will be the whole term of this Lease, namely fifteen (15) years.

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b. Default. Notwithstanding anything herein contained, all the covenants of this Lease to be kept and performed by Lessee shall be deemed to be conditions of this Lease. Time is of the essence hereof, and in the event Lessee shall breach any of the terms and provisions hereof or shall fail or neglect to plant the crops agreed upon or to properly cultivate said premises and farm the same as herein provided, and such failure, omission, neglect, or default shall continue for a period of sixty (60) days after written notice by Lessor to Lessee to cure such default, then Lessor shall have the right immediately or at any time thereafter which such neglect or default shall continue, to enter upon such premises and to employ such labor and equipment as may be necessary to properly perform such work and to charge the expenses so incurred to Lessee. In the event of such aforesaid default, or in the event of bankruptcy, insolvency, or liquidation of Lessee, or the failure of Lessee to maintain a positive net worth as determined from financial records of Lessee as provided in 5 above or in the event Lessee fails to pay any rent within sixty (60) days after the same is due, Lessor shall have the right to enter upon and take possession of said premises and the crops growing thereon, and to declare this Lease terminated and the rights of the Lessee hereunder ended, and to eject all persons from said premises, and in the case of such termination, Lessee shall have no claim against Lessor for any labor or expense which may have been

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incurred or expended by them on said premises, or any further right to the crops thereon. It is further understood and agreed that the remedies provided to Lessor hereunder, as well as all other remedies which Lessor may have at law, shall be cumulative and mutually exclusive, and the Lessor may, in its sole discretion, pursue any of the remedies available to it. Failure by Lessor to pursue any remedy with respect to any particular default shall not act as a waiver of its rights with respect thereto. If a default concerns only a part of the leased premises, Lessor may pursue the remedies herein contained only against the quarter sections within which the part of the leased premises affected by the default is located.

c. Relationship of Parties. Except as provided in 5. above, nothing contained herein nor any acts of the parties hereto shall be deemed as creating the relationship of principal and agent, partnership, joint venture or anything other than the relationship of Lessor and Lessee, between the parties hereto.

d. Assignment and Subletting. Lessee shall not assign this Lease without the consent of the Lessor. Any assignment by Lessee without such consent shall be null and void. Consent to an assignment, when given, shall not operate as a waiver of this provision, and any subsequent assignment must be consented to by Lessor as required herein.

Lessee may sublet said premises or any half sections thereof, subject to the termination provisions of this Lease, without the prior written consent of Lessor,

provided that any sublease shall contain a provision showing that the sublease has been assigned to the Lessor as security for the performance of the terms and conditions of this Lease and if a default on this Lease is not cured within the time period provided for herein, the sublessee will become the tenant of the landlord. Any sublease without this provision shall be void. Copies of all subleases must also be signed by Lessor to evidence receipt of a copy of the sublease or the sublease shall be void. The consent hereby required shall not be arbitrarily withheld, but any such assignment consented to by Lessor and any subletting shall not release Lessee from Lessee's obligations under this lease.

e. Modification. No modification of any of the terms and conditions of this Lease shall be effective unless reduced to writing and executed by the parties hereto.

f. Construction. Construction of the terms and conditions of this Lease shall be in accordance with the laws of the State of Nevada.

g. Notices. All payments and notices required to be sent, made or served upon Lessor hereunder shall be sufficient if delivered to or sent by registered or certified mail to Lessor, Box T, Beverly Hills, California 90213 or such other place as Lessor may designate in writing, and all notices or communications required to be given to Lessee shall be sufficient if delivered to or sent by registered

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mail to Lessee in care of Robert N. Rebholtz, American Falls, Idaho 83211, or such other place as Lessee may designate in writing.

h. Binding Agreement. This Lease shall be binding upon the successors and assigns of the parties hereto.

i. Indemnification. Lessee agrees to indemnify Lessor against and hold Lessor harmless from all demands, claims, causes of action or judgments, and all reasonable expenses incurred in investigating or resisting the same, for injury to persons, loss of life, or damage to property occurring on the premises, or arising out of Lessee's negligence in the use and occupancy of the premises. Lessee shall carry a comprehensive public liability insurance policy with limits of not less than One Million Dollars (\$1,000,000). Lessee shall name Lessor as an additional insured under the policy. Lessee shall provide Lessor with a certificate of insurance and Lessee shall pay all premiums therefor.

j. Rights of Refusal and Participation. In the event that Lessor desires to lease and develop additional parcels within the boundaries of the T Lazy S Ranch, within seven (7) years of the date of this Lease, by entering into similar leases with third parties, Lessee shall have the right of first refusal on such leases for a period of thirty (30) days from the date of written notification of the terms of such leases. In the event Lessee accepts the terms of any of said leases and develops additional parcels

of land within the boundaries of the T Lazy S Ranch, then Lessor shall have right to contribute up to fifty percent (50%) of the equity required to develop such additional parcels and to receive a proportionate ownership share. Lessor's intent to exercise his right hereunder to contribute up to fifty percent (50%) of the equity shall be given in writing to the Lessee upon the date of the execution of such lease for the development of said additional parcels.

k. Arbitration. Any differences or questions under paragraphs 5, 6, 8c, 8d, 8e, 8f, and 9a of this agreement between the Lessor and Lessee shall, upon the request of either, be submitted to arbitration by one disinterested person, agreeable to both, or by three disinterested persons, one of whom shall be selected by the Lessor, one by the Lessee, and the third by the two thus appointed. The decision of the arbitrators shall be binding upon the parties to this lease.

IN WITNESS WHEREOF, the parties hereto have executed this Lease the day and year first above written.

T LAZY S RANCH, A PARTNERSHIP
LESSOR

Witness

By

C. B. Thornton, Jr.
Partner

LESSEE

BLUE TAG FARMS, INC.

ATTEST:

William DePaoli
Secretary

By

G. T. Newcomb
President

GUARANTY

G. T. Newcomb, who is an officer and principal stockholder of Lessee, hereby individually guarantees the prompt and full performance of Lessee of its obligations in the above Lease and Agreement in order to induce the T Lazy S Ranch to enter into said Lease and Agreement. This guaranty shall be for the benefit of T Lazy S Ranch and its assigns and shall be binding on G. T. Newcomb and his heirs and assigns.

62942

RECORDED AT THE REQUEST OF Nevada National Bank
on May 2, 1977, at 05 mins. past 8 A. M. In
Book 59 of OFFICIAL RECORDS, page 1-21, RECORDS OF
EUREKA COUNTY, NEVADA. WILLIS A. DePAOLI Recorder
File No. 62942 Fee \$ 23.00

G. T. Newcomb
G. T. Newcomb,
Individually

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