



0141643

Lease Agreement

This lease is entered into on this 1st day of July, 2012, by and between Young Trust as Lessor and Canyon Gardens LLC as Lessee for the lease of certain land located at Cemetery Road and Avery Road (Parcel # 312145) within the city limits of Caliente, Nevada, for the purpose of maintaining and improving the existing agricultural enterprise.

I. Prologue and Statement of Purpose

Whereas both parties share a mutual interest in the long-term health and productivity of the agricultural lands and related features described below; and whereas the Lessor wishes to offer a secure and affordable farming opportunity to the Lessee, and whereas the Lessor wishes the property and associated water rights to be maintained in good condition the parties agree as follows:

II. Description of Leased Premises

The Premises shall consist of the cropland, irrigation system, electrical service, irrigation water rights, and access as described below:



all lands except where the house sits and towards Cemetery Road
irrigation water rights
irrigation pipelines and pump
irrigation hand lines
access from Cemetery Road

III. Lease Term

- a) The term of this Lease shall be for a period of 6.5 years commencing July 1, 2012 and ending December 31, 2018.
- b) The lease rate will be \$250 per month for the second year of the lease (July 2013- June 2014) and will be paid on the first day of each month starting on July 1, 2013.
- c) The lease rate for the remaining months will be \$750 per month and will be paid on the first day of each month starting on July 1, 2014.
- d) The Lessee will pay for all electrical service fees during the lease term and any incurred prior to the effective date of Lease.
- e) All Lease fees shall be due according to the schedule described in paragraph c. A penalty of 1.5% per month will be assessed on late payment for each 30-day period that such payment is past due. When payment is three months late, the Lease will be terminated due to default by the Lessee.
- f) The Lessee will pay all fees associated with the temporary transfer of water rights to other properties operated by the lessee.
- g) The Lease fee may be renegotiated for any Lease extension.



IV. Permitted Uses and Use Restrictions

- a) Lessee is hereby permitted all normal activities associated with agricultural purposes including but not limited to: planting, cultivating and harvesting crops, including perennial crops and ornamental crops; preparation and application of soil amendments; pest and weed management; erection and management of temporary structures such as hoop houses, temporary fencing, irrigation systems, etc.; use, routine maintenance and storage of tools and equipment; post-harvest washing, cooling, sorting, and packing; keeping of bees for farm pollination; management of brush, field edges and roads; conversion of necessary and related land to agricultural production including but not limited to row crops and perennial plantings; and on-site sales of goods and services as permitted by local regulations. Lessee may conduct educational tours and other public programming on the Premises.
- b) Lessee, with the concurrence of the Lessor, is permitted to temporarily transfer water rights to other properties operated by the Lessee. The Lessee shall be responsible for processing the transfer and paying all fees.
- c) Lessee is hereby permitted to enter financial agreements with lenders, grantors, government agencies (local, state and federal) for the purposes of improvements to the Premises. The terms of said financial agreements shall not exceed the Lease Term. Lessee shall be solely liable for compliance with the terms of said financial agreements.
- d) Lessee agrees to prepare and comply with a Conservation Plan under the guidance of the USDA Natural Resources Conservation Service.
- e) Lessee agrees to prepare and comply with an Organic System Plan under the guidance of the certifying agency.



- f) Lessor and Lessee shall conduct joint inspections of the Premises twice a year at a minimum. Lessor and Lessee shall conduct an annual review of the Conservation Plan and Organic System Plan. In the interest of fostering frequent communication and a positive working relationship between the parties, Lessor may, at any time and from time to time designate one or more individuals to act as Lessor's representative to the Lessee on all issues related to this Lease, including, without limitation, property management, stewardship standards and planning issues.
- g) Lessor reserves the right to approve plans as to design, location, and materials of permanent structures including but not limited to office, greenhouses, and processing and storage facilities.
- h) Lessee agrees to abide by all local, state and federal laws and regulations.
- i) Lessee agrees to apply for all applicable permits at Lessee's expense.
- j) Lessor and Lessor's family reserve the right to access the house on the property without prior notice.
- k) Lessee shall and may peaceably possess and enjoy the Premises for the term hereby granted without any interruption or disturbance from the Lessor or any person or persons lawfully claimed by, from, or under him.

VI. Maintenance, Repairs, and Improvements

- a) Lessee shall repair, clean out and keep clean, and in a state of repair all irrigation pipes, pump and other irrigation equipment.
- b) Lessee and Lessor - or any person or persons lawfully claimed by, from, or under either party - shall not operate motor vehicles on the

Premises for the purposes of protecting crops and improving soil quality and vegetative cover.

- c) Lessee shall keep the Premises clean by properly disposing of trash, broken materials and equipment and wastes from farm machinery.
- d) Lessee shall maintain the land immediately adjacent to the house in a manner that does not harm the view or landscaping surrounding the house.

VII. Insurance

- a) Lessee is responsible for maintaining general liability insurance and naming Lessor as additional insured during the period of the lease.
- b) Lessee shall provide Lessor with evidence of the above insurance coverage at the commencement of the Lease term and annually thereafter on the renewal date of such policies.

VIII. Transfer, Sale, Assignment, and Sublease

- a) Lessor shall pay property taxes.
- b) Lessee may not sublease or assign the Lease without written permission from the Lessor. Lessor may, in Lessor's sole discretion, refuse to grant such permission or may stipulate conditions for such assignment or sublease.
- c) The terms of this Lease shall remain with the land. Sale of the Premises or portions thereof shall not invalidate lease terms.
- d) Lessor reserves the right to enter any conservation or agricultural easement for the Premises. Lessee agrees to abide by terms of said easement. Such terms shall not unduly restrict normal agricultural activities.



- e) This Lease and everything herein contained shall endure for the benefit of and be binding upon the heirs, executors, administrators, successors, assigns, and other legal representatives of the Lessor and the Lessee.

IX. Termination and Default

- a) Both parties may terminate the lease by mutual agreement.
- b) Either party may terminate this Lease only upon default by the other as specified in paragraph c below. Upon termination at the end of the Lease term or for any other reason, Lessee must vacate the property and remove all personal possessions.
- c) Events of default by Lessee shall include, without limit, the failure to i) pay the Lease fee when due; ii) comply with applicable law, rules, regulations, and permits; iii) comply with repair and maintenance standards; and iv) maintain the required insurance coverage.
- d) Events of default by Lessor shall include, without limit, the failure to i) pay the property taxes; and ii) allow the Lessee to possess and enjoy the Premises without interruption or disturbance.

X. Dispute Resolution

Both parties agree to the best of their abilities to resolve any disputes regarding the interpretation and performance of this Lease through mutual good faith effort. All disputes that cannot be resolved through such efforts shall be resolved by Arbitration. The expenses of the arbitration shall be borne equally by the parties to the arbitration, except that each party shall pay for the cost of its own experts, evidence, and legal counsel.



XI. Severability

If any part of this Lease is invalid or unenforceable, the balance of this Lease shall remain effective, absent such provision.

XII. Amendments

No change in this Lease shall be effective unless it is in writing and signed by both parties.

IN WITNESS THEREOF, the parties have executed this Lease to be effective as of the date first set forth.

LESSOR:

Signature: Lorraine Y. Avery Date: 7/2/12

Title: Trustee Lorraine Y. Avery

LESSEE:

Signature: [Signature] Date: 7/2/12

Title: mapping member James Gatzke

State of Nevada
County of Lincoln

This instrument was acknowledged before me on 2nd day of July, 2012 by Lorraine Y. Avery & James M. Gatzke

[Signature]
Notary Public's Signature
My Commission Expires 11-9-12

