

LEASE

BETWEEN

**NORTH SNAKE GROUND WATER DISTRICT,
MAGIC VALLEY GROUND WATER DISTRICT**

**AND SOUTHWEST IRRIGATION DISTRICT,
COLLECTIVELY, TENANT**

AND

**STATE OF IDAHO, BY AND THROUGH THE
IDAHO WATER RESOURCE BOARD,
LANDLORD**

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LEASE

This Lease ("**Lease**") is effective this 1st day of January, 2015, between North Snake Ground Water District, Magic Valley Ground Water District and Southwest Irrigation District (collectively, "**Tenant**"), and the State of Idaho, by and through the Idaho Water Resource Board ("**Landlord**").

In consideration of the mutual covenants and conditions contained herein, Landlord and Tenant agree as follows:

ARTICLE 1 BASIC PROVISIONS

1.1 Tenant. North Snake Ground Water District, Magic Valley Ground Water District and Southwest Irrigation District are collectively the "Tenant." For purposes of this Lease, all correspondence to Tenant should be addressed in care of the Idaho Ground Water Appropriators, Inc. ("IGWA"), P.O. Box 1391, Pocatello, Idaho 83201. Tenant's primary contact is Randall C. Budge.

1.2 Landlord. The State of Idaho, by and through the Idaho Water Resource Board, is the "Landlord." For purposes of this Lease, Tenant's address is 322 East Front Street P.O. Box 83720, Boise, Idaho 83720-0098. Tenant's primary contact is Brian Patton.

1.3 Premises. The "**Premises**" are located at 1110E 2700S Hagerman, ID 83332, Gooding County, Idaho 83355, and include the real and personal property more particularly described as follows:

1.3.1 All real property described in Exhibit "A," attached hereto.

1.3.2 All appurtenant rights to the real property, including the water rights, including, but not limited to, the water rights described in Exhibit "A-2" attached hereto (collectively the "**Lease Water Rights**").

1.3.3 All improvements, structures and permanent fixtures located on the Premises, including fish raceways with quiescent zones, flumes, headworks, diversion structures, effluent settling basins, structures, buildings, equipment and all other improvements.

1.3.4 All personal property that is currently situated upon the Premises and has been customarily used in connection with the rearing of fish ("**Personal Property**").

1.3.5 All easements appurtenant to the Premises and other agreements, licenses or permits necessary for fish-rearing operations, including, but not limited to, easements for access, utilities, and water delivery systems.

1.4 Permitted Use. Tenant shall, provided it complies with all pertinent governmental rules and regulations, be entitled to operate its business upon the Premises (i) under that certain National Pollution Discharge Elimination System General Permit for Aquaculture Facilities and Associated Fish Processing Facilities in Idaho issued by the United States Environmental Protection Agency No. IDG-13-0000 ("**NPDES Permit**"), and (ii) any other permits or approvals issued by the State of Idaho, Gooding County, Idaho, or other governmental authorities that are applicable to the Premises. The Permitted Uses

of the Premises under this Lease shall be for aquaculture and for the purpose of providing replacement water or mitigation for water delivery calls. (collectively the "Permitted Uses").

1.5 Term and Commencement Date. The term of this Lease shall be thirty (30) years ("Term"). The Term shall commence on the effective date shown on page 1 ("Commencement Date") and shall expire on the thirtieth anniversary of the Commencement Date, if not terminated earlier as set forth herein. Landlord and Tenant shall cooperate as is reasonably necessary, to obtain the transfer of the NPDES Permit and the Operating Permits as soon as possible after Landlord has acquired the Premises. The Parties acknowledge that the first year of the Term will be for a partial calendar year. All calculations relevant to any partial calendar year during the Term will be prorated on a per diem basis, based upon a three hundred and sixty (360) day year. All calculations relevant to any partial month during the term will be prorated on a per diem basis, based upon a thirty (30) day month.

1.6 Annual Rent. The rent reserved for each twelve (12) month period of the Lease ("Annual Rent") shall be fifty seven thousand four hundred fifty Dollars (\$57,450), which is calculated by multiplying one thousand six hundred forty four Dollars (\$1,644) per cubic foot per second (the "Rent Rate") by the average annual water flow ("Average Annual CFS") available to the Premises under the Lease Water Rights during the prior calendar year. Annual Rent will be adjusted annually on the anniversary of the Commencement Date based on the Average Annual CFS for the prior calendar year (pursuant to section 1.6.1 below). In addition, Annual Rent will be adjusted every three years on the anniversary of the Commencement Date based on the Adjustment of Rent Rate (pursuant to section 1.6.2 below).

1.6.1 Calculation of Average Annual CFS. Average Annual CFS is calculated by dividing the total acre-feet of water delivered to the Premises in a calendar year by 724. The total acre-feet delivered to the Premises shall be measured based upon the measuring devices installed at the Premises. Landlord and Tenant shall work with the State of Idaho to ensure that accurate measuring devices are installed, maintained and operated, with all data made available to the Parties and the Idaho Department of Water Resources ("IDWR").

1.6.2 Adjustment of Rent Rate. Beginning on the third anniversary of the Commencement Date, and on every third (3rd) anniversary thereafter ("Adjustment Date"), the Rent Rate shall be adjusted to reflect the cumulative adjustment in the cost of living during the immediately preceding three (3) calendar years as determined by the Consumer Price Index, provided, however, that in no event shall the Rent Rate (a) be increased by more than six percent (6%) on any Adjustment Date, or (b) be decreased below \$1,500 per cubic foot per second. The Consumer Price Index is defined as the Consumer Price Index for all Urban Consumers, All Items, published by the United States Department of Labor, Bureau of Labor Statistics ("Bureau"), Consumer price index, U.S. City Average for all Urban Consumers, Seasonally Adjusted, all items (1982-84 = 100) ("Index"). In the event the Bureau of Labor Statistics ("Bureau") shall cease to publish the Index there shall be substituted for the Index a substitute or successor index published by the Bureau or other governmental agency of the United States.

1.6.3 Rent Payment Date. Annual Rent shall be paid in twelve equal monthly installments, due and payable on the tenth (10th) day of each month during the Term of this Lease. The initial monthly installment of Rent shall be due and payable on the tenth (10th) day after the Commencement Date. In the event that the Commencement Date does not fall on the first day of a month, Tenant shall pay Rent for the fractional month, prorated on a per diem basis, based upon a thirty (30) day month, until the first day of the succeeding month, and thereafter monthly installments of Rent shall be paid in

advance on the tenth (10th) day of each and every month. Tenant shall be obligated to pay a five (5) percent late penalty on all rent unpaid ten (10) days after the due date.

1.7 Services. Landlord shall provide possession of the Premises to Tenant and shall perform such maintenance and repair as is set forth herein. Tenant shall be responsible for all other obligations relating to the use and enjoyment of the Premises, except as hereinafter expressly provided.

1.8 Personal Property. The risk of loss, damage, destruction, theft or other casualty (including losses occasioned by earthquake, flood, and the failure of diversion structures, levees, flumes, ditches, ponds, raceways, and water supplies) to the Personal Property, including trade fixtures and swimming inventory owned or leased by Tenant, and used or stored upon the Premises, shall be solely on Tenant, unless the same results from the negligent or intentional acts or omissions of Landlord, or Landlord's agents, employees, contractors or invitees.

1.9 Confirmation of Terms. The Parties' primary contacts as set forth in Sections 1.1 and 1.2 shall execute and exchange a memorandum (the "**Commencement Memorandum**"), in the form attached hereto as Exhibit "B" confirming (a) the Commencement Date pursuant to Section 1.5; (b) the initial Average Annual CFS pursuant to Section 1.6; and (c) any structures, improvements, or personal property excluded from the Lease.

ARTICLE 2

GRANT OF PREMISES, DELIVERY OF POSSESSION, TENANT'S RIGHTS

2.1 Grant of Premises. Landlord leases to Tenant, and Tenant leases from Landlord the Premises subject to the terms and conditions of this Lease.

2.2 Delivery of Possession. Landlord shall deliver possession of the Premises, in its existing condition (including all rights, privileges, benefits, rights of way and easements now or in the future appurtenant to the Premises), to Tenant on the Commencement Date free and clear of all tenancies and occupancies.

2.3 Permits. It is understood and agreed that Landlord's predecessor, pursuant to applicable rules and regulations, previously operated the fish production facilities on the Premises pursuant to a NPDES General Permit for Idaho. The specific permit number for the Aqualife Facility is IDG130001 and other required applicable permits or approvals including those issued by the State of Idaho or Gooding County, and any other applicable governmental agency (collectively the "**Operating Permits**"), which may be held in the name of Landlord for the benefit of Tenant during the Term of this Lease Idaho including, but not limited to, Gooding County CAFO Permit #G9-017. It shall be the sole responsibility and obligation of Tenant to secure and maintain all Operating Permits for the Term of this Lease, including obtaining the transfer of the Operating Permits to Tenant. To the extent that Landlord's consent, authorization or cooperation is required in securing or transferring of the Operating Permits, such shall not be unreasonably conditioned, withheld, or delayed.

2.4 Lease Water Rights. Notwithstanding the limitations of Section 2.6 below, Landlord warrants and represents that Tenant shall be entitled to use all of the water available pursuant to the Lease Water Rights in connection with Tenant's use and operation of the Premises. Subject to approval by IDWR, Tenant shall be entitled to use all available water for the purpose of providing replacement water or mitigation for water delivery calls. Landlord agrees that during the Term of this Lease, it will take all

reasonable action that is necessary or required to protect the Lease Water Rights and agrees to cooperate with the Tenant should transfers of the Lease Water Rights become necessary to mitigate for water delivery calls.

2.5 Tenant's Right to Revenue. For the Term of this Lease, Tenant shall have the right to all revenue or fees generated from the Premises.

2.6 Condition of Premises. Tenant has inspected the Premises and finds the Premises acceptable for its purposes and accepts the Premises in its "As Is" condition and without any warranty, implied or express, except for those representations and warranties specifically identified in Sections 2.4 and 10.3 herein, provided no material change in the condition of the Premises occurs between the execution of this Lease and the Commencement Date. Landlord warrants and represents that on the Commencement Date the Premises will be in substantially the same condition as exists on the date of execution of this Lease, with the exception of reasonable wear and tear. Except as expressly set forth in this Lease, Tenant hereby waives all warranties, express or implied, regarding the condition and use of the Premises, including, but not limited to, any warranty of merchantability or fitness for a particular purpose.

ARTICLE 3 TERM

3.1 Term. The Term of this Lease is set forth in Section 1.5.

3.2 Tenant's Termination Right. Notwithstanding anything to the contrary herein contained, Tenant, in its sole discretion, may, in addition to the remedies provided in Section 7.4, terminate this Lease upon written notice to Landlord of at least one (1) year, or any other notice period set forth below, upon the occurrence of the following:

3.2.1 If during the Term of this Lease, the Average Annual CFS declines by fifty percent (50%) or more from the Average Annual CFS for the calendar year immediately preceding the commencement of this Lease ("Termination Threshold"), then Tenant shall have the right in its sole and absolute discretion to terminate this Lease ("Termination Right").

3.2.2 If Tenant determines that the Premises or Lease Water rights are not necessary or will not be used by Tenant for the Permitted Use of aquaculture or for providing replacement water or mitigation for water delivery calls, then Tenant shall have the right in its sole and absolute discretion to terminate this Lease ("Termination Right").

3.2.3 Tenant's right to exercise the Termination Right shall exist in any year that the Termination Threshold occurs, regardless of whether or not the Termination Threshold has previously occurred but Tenant has not elected to exercise its Termination Right.

ARTICLE 4 OPERATION OF PREMISES

4.1 Tenant's Use of Premises. The Premises shall be occupied and used by Tenant, its agents, contractors, employees and invitees for the Permitted Use.

4.2 Tenant's Maintenance Obligations. Tenant shall, at Tenant's sole expense, keep and maintain the Premises in good condition and repair. Tenant shall diligently and timely perform all of its maintenance and repair obligations. Tenant shall, at Tenant's sole expense, maintain and repair the levee that impounds water in Fisher Lake. Landlord shall support and assist Tenant in securing all permits necessary to operate, maintain and repair the levee and all diversion and delivery structures and facilities. Tenant shall have no obligation to maintain any portion of the Premises that is abandoned and not in use as of the Commencement Date. Tenant shall have the right to defer certain maintenance of the Premises when such maintenance will result in an expense or benefit that is unreasonable in light of the remaining Term of the Lease, provided, however, that Tenant provides notice to Landlord of Tenant's intent to defer such maintenance, and Landlord and Tenant agree that the deferral of such would not damage the Premises nor create a safety hazard.

4.3 Landlord's Maintenance and Repair Obligations. Landlord shall not be obligated to repair and maintain the Premises except for maintenance and repair obligations arising from the negligent or intentional acts or omissions of Landlord, or Landlord's agents, employees, contractors or invitees.

4.4 Alterations. Tenant shall have the right, with Landlord's prior written consent, which shall not be unreasonably conditioned, withheld, or delayed, to construct additional buildings and other improvements on the Premises or to remodel, repair or remove any buildings or improvements on the Premises. Landlord shall have thirty (30) days after Landlord's receipt of notice of Tenant's request to construct, remodel, repair or remove a building or other improvement on the Premises to approve or disapprove Tenant's request. If Landlord does not respond to Tenant's request within thirty days, Tenant's request is deemed approved by Landlord. All fees and costs incurred in connection with such construction, remodeling, repair or removal shall be paid by Tenant. In the event Tenant does not exercise either its Preferential Right to lease the Premises following the termination or expiration of the Lease for any reason other than for a default by Tenant, then Tenant may remove any buildings or improvements added or placed by Tenant during Tenant's occupancy of the Premises, or the Parties may negotiate purchase by Landlord of the buildings or improvements added or placed by Tenant during Tenant's occupancy of the Premises, based on the then fair market value of such buildings or improvements. In the event of Tenant's removal of buildings or improvements, Tenant shall be responsible for returning the location of the removal to its prior condition, with the exception of reasonable wear and tear. If Tenant does not remove Tenant's buildings or improvements within 180 days of the date of expiration or termination of the Lease, such right to remove will be canceled, and the improvements will be deemed property of Landlord.

4.5 Excluded Improvements. The Parties agree that the structures and improvements on the Premises identified in the Commencement Memorandum are subject to the Lease unless specifically excluded from the Parties' obligations in Sections 4.2 and 4.3.

4.6 Utilities. Tenant shall be solely responsible for and shall promptly pay all charges, when due, for water, power, natural gas, telephone, cable, computer, security, and any other utility or service used for, upon or furnished to the Premises. Tenant shall not be responsible for any cost or expense associated with the future extension of any utility service to the Premises unless such utility extension occurs at the request of Tenant. Additionally, unless caused by the negligent or intentional acts or omissions of Landlord, or Landlord's agents, employees, contractors, or invitees, Landlord shall not be liable in damages or other-wise for any failure or interruption of: (i) any utility service being furnished to the Premises, or (ii) the heating, ventilating and air conditioning system, if any, in any building on the Premises. Unless caused by the negligent or intentional acts of Landlord, no such failure or interruption, whether resulting

from a casualty or otherwise, shall entitle Tenant to terminate this Lease or to abate any payment Tenant is required to make under this Lease.

4.7 Real and Personal Property Taxes. Tenant agrees to pay, before they become delinquent, all taxes for real and personal property, assessments, or governmental charges lawfully levied or assessed against the Premises ("Taxes").

4.8 Covenant Against Liens. Tenant will not directly or indirectly create or cause to be created or to remain, and will promptly discharge, at Tenant's sole expense, any mechanic's lien or similar lien recorded against the Premises, which Tenant created or caused to be created by Tenant's work on the Premises. Tenant has no authority or power to cause or permit any mechanic's lien or similar lien created by the act of Tenant, by operation of law, or otherwise, to attach to or be placed upon Landlord's title or interest in the Premises. Any lien against Tenant shall attach only to Tenant's leasehold interest in the Premises. Landlord will not directly or indirectly create or cause to be created or to remain, and will promptly discharge, at Landlord's sole expense, any mechanic's lien or similar lien against the Premises, which Landlord created or caused to be created by Landlord's work on the Premises.

4.9 Landlord's Right of Entry. Landlord or Landlord's agents, upon prior reasonable notice to Tenant's agent or employee responsible for the operation of the Premises, may enter upon the Premises at all such times as may be necessary to inspect the general condition and state of repair of the Premises. Landlord's entry shall be supervised by Tenant, and Landlord shall not interfere with, or create a hazard to, Tenant's business operations, except in the event of an emergency arising within the Premises that endangers property or persons.

4.10 Control of Access. Tenant shall not permit the Premises to be generally accessible to the public. Tenant shall control access to the Premises consistent with Tenant's Permitted Use of the Premises.

4.11 Environmental Definitions. As used in this Lease, the term "Hazardous Materials" is defined to include, without limitation: (i) oil hydrocarbons, petroleum, petroleum products, or products containing, or derived from, petroleum; and (ii) any hazardous or toxic waste, substance, material, chemical, gas or particulate matter, as presently defined by, or for purposes of, any Environmental Laws. As used in this Agreement, the term "Environmental Laws" is defined to include, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C.A. Section 9601, et seq.; the Hazardous Materials Transportation Act, 49 U.S.C.A. Section 1801, et seq.; the Resource Conservation and Recovery Act, 42 U.S.C.A. Section 6901, et seq.; the Toxic Substances Control Act, 15 U.S.C.A. Section 2601, et seq.; the Federal Water Pollution Control Act, 33 U.S.C.A. Section 1251, et seq.; the Safe Drinking Water Act, 42 U.S.C. Section 300f, et seq.; the Clean Air Act, 42 U.S.C. Section 7401, et seq.; the Hazardous Substance Emergency Response Act, Idaho Code Section 39-7101, et seq.; any successor or amendment to those laws (in existence on the date this representation is made or updated); any rules, regulations, ordinances, orders or decrees issued pursuant to those laws; any other applicable federal, state or local environmental, health or safety statute, ordinance, code, rule, regulation, order or decree as may now, or at any later time be in effect, regulating, relating to, or imposing, liability, or standards, concerning, or in connection with, hazardous or toxic wastes, substances, materials, chemicals, gases or particulate matter, or the emission, discharge, dumping, or other release, of any substance to the environment; and any common law theory based on nuisance or strict liability.

4.12 Hazardous Materials Use by Tenant. During the Term, at its sole expense, Tenant shall abide by all Environmental Laws, as defined above. Tenant shall not use, handle, deposit or dispose of any Hazardous Materials, as defined above, except in compliance with all Environmental Laws. Tenant agrees to indemnify Landlord consistent with the provisions of Section 8.3 if Tenant fails to comply with its obligations during the term of the Lease under this Section.

4.13 Environmental Condition of Premises. Landlord has not been in possession of the Premises prior to its acquisition and has not previously been responsible for the operation of the Premises. Landlord has no knowledge of the use of Hazardous Material on the Premises or any violation of the Environmental Laws as those terms are defined above. Landlord agrees to release Tenant from any claims arising from the presence of Hazardous Materials on the Premises or violations of Environmental Laws in the operation of the Premises (as those terms are defined above), occurring prior to the commencement of the Term of the Lease.

ARTICLE 5 CHANGES IN THE PARTIES

5.1 Relationship of Parties. Nothing contained in this Lease shall be construed as creating the relationship of principal or agent, employment, partnership or joint venture or any relationship between the Parties other than landlord and tenant.

5.2 Successors and Assigns. This Lease shall benefit and bind the successors and permitted assigns of Landlord and Tenant.

5.3 Tenant's Assignment and Subletting. Tenant may not assign this Lease or sublet all or a part of the Premises unless Tenant first obtains the prior written consent of Landlord, which consent shall not be unreasonably conditioned, withheld or delayed.

ARTICLE 6 LOSS AND DAMAGE TO PREMISES

6.1 Tenant Insurance Obligations. Tenant agrees to maintain, in full force and effect throughout the Term of the Lease, comprehensive general liability coverage covering the Premises with limits of liability for each occurrence of not less than \$2,000,000, naming Landlord as an additional insured. Tenant shall also purchase, obtain and maintain a policy of fire and extended coverage insurance or coverage in an amount equal to the full insurable value (from time to time) of all Tenant's personal property, fixtures, equipment and tenant improvements. Promptly upon the effective date of such insurance, or any renewal or replacement thereof, Tenant shall provide Landlord with a copy of a Certificate of Insurance evidencing the coverage required by this paragraph and upon change or termination in insurance coverage Landlord shall be provided not less than thirty (30) days advance written notice thereof. Landlord may maintain such additional insurance as it elects to permit it to perform the same. Landlord shall have no right to the proceeds of business damage or other insurance coverage obtained by Tenant and shall not be named as an insured on such policies obtained by Tenant.

6.2 Condemnation. If any material portion of the Premises affecting the Permitted Use is permanently condemned or taken under any governmental law, ordinance or regulation, by right of eminent domain, by inverse condemnation, or by deed in lieu, then Tenant may, at its option and upon written notice to Landlord, cancel this Lease, effective when the physical taking shall occur. For purposes of this

Section, a "material" portion of the Premises means such portion as would render the remaining portion of the Premises insufficient for Tenant's continuing needs and desired operations. Upon receipt of notice of any proposed condemnation, the receiving party shall promptly notify the other party. Tenant shall have the right to any award of just compensation related to Tenant's operation of the Premises, Tenant's profits and Tenant's leasehold interest.

ARTICLE 7 DEFAULT

7.1 Tenant's Default. The occurrence of any of the following by Tenant shall constitute a default under the terms of this Lease: (a) the abandonment or surrender of the Premises by Tenant prior to the expiration of the Term of this Lease, or (b) failure to perform any obligation as required or conditioned by any of the covenants and agreements contained in this Lease within a reasonable time, but in no event later than thirty (30) days after written notice by Landlord to Tenant specifying wherein Tenant has failed to perform such obligations. Each notice of default required by this subsection shall specify the alleged event of default and the intended remedy. After expiration of the applicable time for curing a particular default, Landlord may on behalf of Tenant, at Landlord's election, make any payment required of Tenant under this Lease, or perform or comply with any covenant or condition imposed on Tenant under this Lease. Any amount so paid or the cost of such performance shall be immediately reimbursed by Tenant upon receipt of a demand therefor from Landlord. No such payment or performance by Landlord shall constitute a waiver of default, nor shall it affect Tenant's liability for any loss or damage resulting from the default.

7.2 Landlord's Remedies Upon Tenant's Default. Upon the occurrence of a default by Tenant, Landlord, at its sole option, in addition to any other rights or remedies provided by law or equity, may:

7.2.1 Terminate Tenant's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Tenant shall immediately surrender possession of the Premises to Landlord.

7.2.2 Maintain Tenant's right to possession, in which case this Lease shall continue in effect whether or not Tenant shall have abandoned the Premises. In such event, Landlord shall be entitled to enforce all of Landlord's rights and remedies under this Lease, including the right to recover the rent as it becomes due hereunder.

7.2.3 Landlord shall have the right to recover against Tenant any and all damages that are proximately caused by Tenant's default under this Lease.

7.2.4 Landlord shall have the right to take whatever action is necessary to cure Tenant's default, including the incurring of any reasonable expenses, and if Tenant fails to reimburse Landlord for the costs incurred in connection with the curing of Tenant's default, then Tenant shall pay to Landlord the amount of any such expenses together with interest thereon at the rate of six percent (6%) per annum from the date of Landlord's expenditure of such costs until such costs are paid or reimbursed.

7.2.5 Pursue any other remedy now or hereafter available to Landlord under the laws or judicial decisions of the State of Idaho. The rights, privileges, elections and remedies of Landlord

as set forth in this Lease or allowed by law or equity are cumulative, and the enforcement by Landlord of a specific remedy shall not constitute an election of remedies and/or a waiver of other available remedies.

7.3 Landlord's Default. Landlord shall be in default under this Lease upon Landlord's failure to perform any obligation as required or conditioned by any of the covenants and agreements contained in this Lease within a reasonable time. Each notice of default required by this subsection shall specify the alleged event of default and the intended remedy.

7.4 Tenant's Remedies Upon Landlord's Default. Upon the occurrence of a default by Landlord under this Lease, Tenant shall have the following rights in addition to any other rights and remedies allowed by law or equity, including, but not limited to the following:

7.4.1 Tenant shall have the right to seek a decree or order of specific performance by a court of competent jurisdiction, ordering Landlord to perform its obligations under this Lease.

7.4.2 Subject to restrictions under state law regarding the Landlord's acceptance of liability, Tenant shall have the right to recover against Landlord any and all damages that are proximately caused by Landlord's default under this Lease.

7.4.3 Tenant shall have the right to take whatever action is necessary to cure Landlord's default, including the incurring of any reasonable expenses, and if Landlord fails to reimburse Tenant for the costs it incurred in connection with the curing of Landlord's default, to offset such costs against the rent then due and owing to Landlord until Tenant is fully reimbursed for such costs plus interest thereon at the rate of six percent (6%) per annum from the date of Tenant's expenditure of such costs until such costs are paid or reimbursed.

7.4.4 Pursue any other remedy now or hereafter available to Tenant under the laws or judicial decisions of the state of Idaho. The rights, privileges, elections and remedies of Tenant as set forth in this Lease or allowed by law or equity are cumulative, and the enforcement by Tenant of a specific remedy shall not constitute an election of remedies and/or a waiver of other available remedies.

ARTICLE 8 CLAIMS AND DISPUTES

8.1 Rights and Remedies Cumulative. Except as expressly provided in this Lease, each party's rights and remedies described in this Lease are cumulative and not alternative remedies.

8.2 Non-Waiver of Remedies. A waiver of any condition stated in this Lease shall not be implied by any neglect of a party to enforce any remedy available by reason of the failure to observe or perform the condition. A waiver by a party shall not affect any condition other than the one specified in the waiver, and a waiver shall waive a specified condition only for the time and in the manner specifically stated in the waiver. The acceptance by Landlord of rent or other money from Tenant after termination of the Lease, after termination of Tenant's right of possession, after the occurrence of a default, or after institution of any remedy by Landlord shall not alter, diminish, affect or waive the Lease termination, termination of possession, default or remedy.

8.3 Indemnification. To the extent allowed under Idaho law, Landlord and Tenant agree to indemnify and hold harmless the other party, and the other party's employees, agents, officers, and direc-

tors, from and against any claims, demands, penalties, fines, liabilities, settlements, damages, costs, or expenses of any kind or nature, known or unknown, contingent or otherwise (including reasonable attorneys' fees and costs), arising from any act, omission or negligence of that party, or the officers, contractors, licensees, agents, servants, employees, guests, invitees, or visitors of that party, in or about the Premises, or arising from any accident, injury, or damage, howsoever and by whomsoever caused, to any person or property, occurring in or about the Premises; provided that the foregoing provision shall not be construed to make one party responsible for loss, damage, liability or expense resulting from injuries to third parties caused by the negligence of the other party, including any officer, contractor, licensee, agent, servant, employee, guest, invitee of that party.

8.4 Remedies Subject to Idaho Tort Claims Act and Appropriation Limits. Tenant acknowledges that Landlord is a state agency and is subject to state law restrictions concerning the actions it may take to accept liability. It is specifically understood that any monetary liability against Landlord pursuant to this provision shall be subject to the provisions of the Idaho Tort Claims Act. Further, nothing in this Lease shall be so construed or interpreted to commit or obligate Landlord to unlawfully expend funds that have not been appropriated or budgeted.

8.5 Dispute Resolution. Notwithstanding anything to the contrary herein, if the Parties disagree regarding the performance of this Lease other than nonpayment of rent, then the Parties agree to engage in direct discussions to settle the dispute. If the disagreement cannot be settled by direct discussions, then the Parties agree to first endeavor to settle the disagreement in an amicable manner by mediation and, if unsuccessful, by arbitration, pursuant the American Arbitration Association's Commercial Mediation Rules, with litigation allowed only for the purpose of enforcing an arbitrator's decision. The foregoing dispute resolution provisions shall not preclude Landlord from bringing legal action to recover nonpayment of rent, unlawful detainer and possession of the Premises by reason of Tenant's default in any payment obligation under this Lease, nor shall it preclude Tenant from bringing legal action in conformance with Section 7.4.1 to enforce the rights and remedies available to it thereunder.

8.6 Attorneys' Fees and Costs. If a party is in default under this Lease, then the defaulting party shall pay to the other party reasonable attorneys' fees and costs: (i) incurred by the other party after default and referral to an attorney, and (ii) incurred by the prevailing party in any litigation.

ARTICLE 9 TERMINATION OF LEASE

9.1 Events of Termination. This Lease shall terminate upon the occurrence of one or more of the following events: (i) by mutual written agreement of Landlord and Tenant; (ii) by Landlord pursuant to the express provisions of this Lease; (iii) by Tenant pursuant to the express provisions of this Lease; (iv) upon expiration of the Term; or (v) by reason of condemnation or damage/destruction of the Premises as set forth in Article 6.

9.2 Surrender of Possession. Except as otherwise provided herein, upon termination of this Lease, Tenant will immediately surrender possession of the Premises to Landlord. If possession is not immediately surrendered, Landlord may, in compliance with the laws of the state of Idaho, re-enter and repossess the Premises and remove all persons and property.

ARTICLE 10
GENERAL PROVISIONS

10.1 Notices. All notices under this Lease shall be in writing and shall be deemed to be delivered on the date of delivery if delivered in person or by fax, or on the date of receipt if delivered by U.S. Mail or express courier. Proof of delivery shall be by affidavit of personal delivery, machine-generated confirmation of fax transmission, or return receipt issued by U.S. Postal Service or express courier. Notices shall be addressed to the address set forth below:

Tenant:

Magic Valley Ground Water District
P.O. Box 430
Paul, Idaho 83347

North Snake Ground Water District
152 E. Main Street
Jerome, Idaho 83338

Southwest Irrigation District
340 S. 400 W.
Burley, Idaho 83318

Idaho Ground Water Appropriators, Inc.
c/o Randall C. Budge
Racine, Olson, Nye, Budge & Bailey
P.O. Box 1391
Pocatello, Idaho 83204-1391
Fax: 208-232-6109

Landlord:

Idaho Water Resource Board
Brian Patton, Administrator
322 East Front Street
P.O. Box 83720
Boise, Idaho 83720-0098
Fax: 208-287-6700

10.2 Time is of the Essence. Time is of the essence with respect to the obligations to be performed under this Lease.

10.3 Quiet Enjoyment. Notwithstanding the limitations of Section 2.6 above, Landlord warrants and represents that on the Commencement Date it shall own fee simple title to the Premises and have the right to enter into this Lease and to let the Premises to Tenant. If Tenant pays the rent and keeps and performs the covenants of this Lease on Tenant's part to be kept and performed according to the provisions and conditions hereof, then Tenant shall peacefully and quietly hold, occupy, and enjoy the Prem-

ises during the Term hereof without any hindrance or molestation by Landlord or Landlord's agents, successors or assigns.

10.4 First Right of Refusal to Purchase and to Lease.

10.4.1 Landlord hereby grants Tenant a right of first refusal on the Premises or any portion of the Premises in accordance with the terms below ("Right of First Refusal").

10.4.2 If, at anytime during the term of this Lease, the Seller receives a bona fide written offer from a willing third party to purchase all or part of the Premises which Landlord intends to accept ("Third Party Offer"), Landlord shall give written notice to Tenant at the addresses provided below accompanied by a copy of such Offer at least thirty (30) days before the date of contemplated sale.

10.4.3 If, at anytime for a period of one (1) year following the date of termination of this Lease, the Landlord receives a bonafide written offer from a willing third party to lease all or part of the premises which Landlord intends to accept ("Third Party Offer"), Landlord shall give written notice to Tenant at the addresses provided below accompanied by a copy of such Offer at least thirty (30) days before the date of the contemplated lease.

10.4.4 Within fifteen (15) business days after receipt of the written notice, Tenant shall notify Landlord that it intends to exercise its Right of First Refusal and will purchase the Premises pursuant to a purchase agreement or will lease the Premises pursuant to a lease agreement which matches the terms and conditions of the Third Party Offer.

10.4.5 Notwithstanding the Tenant's Right of First Refusal described herein, the Landlord may enter into an agreement to sell the premises to the Tenant any time after the commencement date of this Lease at such price and terms as the parties may agree.

10.5 Interpretation. This Lease shall be governed by the law of the State of Idaho. The courts in the State of Idaho shall have exclusive jurisdiction.

10.6 Binding Effect. The covenants and conditions contained herein shall apply to and bind the Parties and all heirs, administrators, grantees, successors, sublessees, assigns and successors of the Parties.

10.7 Memorandum. This Lease shall not be recorded. However, a Memorandum of this Lease shall be executed and recorded in the records of Gooding County, Idaho, in the form attached hereto as Exhibit "C".

10.8 Entire Agreement; Amendment. This Lease contains the entire agreement between the Parties hereto and supersedes all prior agreements, oral or written, with respect to the subject matter hereof. This Lease may not be modified in any manner whatsoever except by an instrument in writing signed by each of the Parties hereto.

10.9 Severability. Any provisions of this Lease that may be prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability


in any jurisdiction shall not invalidate or render unenforceable any other provision in any other jurisdiction.

10.10 Cooperation Landlord and Tenant shall and do hereby agree to cooperate with each other and to encourage and participate in efforts made by the State of Idaho and other users of the waters of the State of Idaho to promote the recharging, stabilization and sustaining of the aquifer in area of the Premises.

Landlord:

Dated: Dec. 31st, 2014

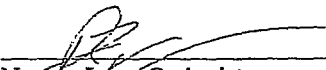
STATE OF IDAHO
IDAHO WATER RESOURCE BOARD

By: 
Roger Chase
Chairman
Idaho Water Resources Board

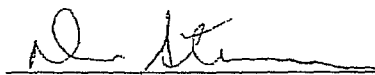
Tenant:

Dated: Nov. 5th, 2014

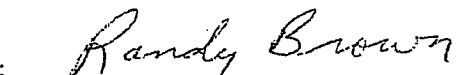
NORTH SNAKE GROUND WATER DISTRICT

By: 
Name: Lynn Carlquist
Title: Chairman

MAGIC VALLEY GROUND WATER DISTRICT

By: 
Name: Dean Stevenson
Title: Chairman

SOUTHWEST IRRIGATION DISTRICT

By: 
Name: Randy Brown
Title: Chairman

in any jurisdiction shall not invalidate or render unenforceable any other provision in any other jurisdiction.

10.10 Cooperation Landlord and Tenant shall and do hereby agree to cooperate with each other and to encourage and participate in efforts made by the State of Idaho and other users of the waters of the State of Idaho to promote the recharging, stabilization and sustaining of the aquifer in area of the Premises.

Landlord:

STATE OF IDAHO
IDAHO WATER RESOURCE BOARD

Dated: _____, 2014

By: _____
Roger Chase
Chairman
Idaho Water Resources Board

Tenant:

NORTH SNAKE GROUND WATER DISTRICT

Dated: Nov. 5th, 2014

By: _____
Name: Lynn Carlquist
Title: Chairman

MAGIC VALLEY GROUND WATER DISTRICT

By: _____
Name: Dean Stevenson
Title: Chairman

SOUTHWEST IRRIGATION DISTRICT

By: _____
Name: Randy Brown
Title: Chairman

EXHIBIT "A"

LEGAL DESCRIPTION OF PREMISES

Legal Description is the 51 acre parcel with associated easements depicted in the attached map and legal description. This consists of a 17.05 acre parcel containing the hatchery facility as deeded by IDPR to IWRB. The remaining 33 acre parcel consisting of Fisher Lake and the spring discharge areas is in the process of being acquired by IWRB from IDPR.



EXHIBIT "A-2"

LEASE WATER RIGHTS

WATER SOURCE	WATER RIGHT NO.	PRIORITY DATE
SPRING FLOW TRIBUTARY TO BILLINGSLEY CREEK	36-2338	8/5/1954
UNNAMED STREAM TRIBUTARY TO BILLING- LEY CREEK	36-2414	12/21/1959
BILLINGSLEY CREEK	36-2734	10/5/1965
BILLINGSLEY CREEK	36-4011	12/1/1965

EXHIBIT "B"

COMMENCEMENT MEMORANDUM

COMMENCEMENT MEMORANDUM


Pursuant to Section 1.9 of the Lease ("**Lease**") effective 1st day of January, 2015, between the State of Idaho, by and through the Idaho Water Resource Board(collectively, "**Landlord**"), and North Snake Ground Water District, Magic Valley Ground Water District and Southwest Irrigation District ("**Tenant**"). Landlord and Tenant through their primary contacts do hereby memorialize the following upon the commencement of the Lease:

1. The Commencement Date pursuant to Section 1.5 of the Lease is January 1, 2015.
2. The initial Average Annual CFS for the **Tenant's** use pursuant to Section 1.6 of the Lease is **48.227** cfs.
3. The following structures or improvements on the Premises shall be excluded from the Parties' obligations in Sections 4.2 and 4.3 of the Lease: No Exclusions

IDAHO WATER RESOURCES BOARD

Landlord:


Dated: January 9, 2015

By 
FOR Roger Chase
Chairman
Idaho Water Resources Board


Tenant:

NORTH SNAKE GROUND WATER DISTRICT

Dated: Nov. 5th, 2014

By: 
Name: Lynn Carlquist
Title: Chairman

MAGIC VALLEY GROUND WATER DISTRICT

By: 
Name: Dean Stevenson
Title: Chairman

SOUTHWEST IRRIGATION DISTRICT


By: 
Name: Randy Brown
Title: Chairman

EXHIBIT "C"

MEMORANDUM OF LEASE

Recording Requested By and
When Recorded Return to:

SPACE ABOVE THIS LINE FOR RECORDER'S USE ONLY

MEMORANDUM OF LEASE

THIS MEMORANDUM OF LEASE ("**Memorandum**") is made as of the 1st day of January, 2015, between North Snake Ground Water District, Magic Valley Ground Water District and Southwest Irrigation District (collectively, "**Tenant**"), and the State of Idaho by and through the Idaho Water Resource Board. ("**Landlord**").

1. Landlord and Tenant have entered into a lease dated as of January 1,, 2015 (the "**Lease**") for a term of thirty (30) years regarding certain real property and water rights described in Exhibit A and A-2, attached hereto and incorporated herein.

2. The Lease is made in consideration for rent paid by Tenant and includes options to lease and a right of first refusal in favor of Tenant.

3. This Memorandum summarizes the provisions of the Lease pursuant to Idaho Code § 55-818, and incorporates by reference all of the terms and provisions of the Memorandum.

4. The terms, conditions and provisions of the Lease shall extend to and be binding upon the heirs, executors, administrators, grantees, successors and assigns of the Parties hereto.

5. In the event of any conflict between the Lease and this Memorandum, the Lease shall control.

6. Capitalized terms set forth in this Memorandum shall have the same meanings ascribed for such capitalized terms in the Lease.

SIGNATURES ON FOLLOWING PAGES

IDAHO WATER RESOURCES BOARD

Landlord:

Dated: _____, 2014

By _____
Roger Chase
Chairman, Idaho Water Resources Board

STATE OF IDAHO)
)ss.
County of Ada)

On this ____ day of _____, 2014, before me the undersigned Notary Public in and for said county and state, personally appeared _____ known to me to be the person whose name is subscribed to within instrument and acknowledged to me that he/she executed the same.


In WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal, the day and year in this certificate first written.

Notary Public in and for Idaho
Residing at: _____
Commission Expires: _____


Tenant:

Dated: Nov. 5th, 2014


NORTH SNAKE GROUND WATER DISTRICT

By: 
Name: Lynn Carlquist
Title: Chairman

MAGIC VALLEY GROUND WATER DISTRICT

By: 
Name: Dean Stevenson
Title: Chairman

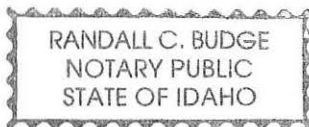
SOUTHWEST IRRIGATION DISTRICT

By: 
Name: Randy Brown
Title: Chairman

STATE OF IDAHO)
) ss.
County of Bannock)

On this 5th day of November, 2014, before me, Randall C. Budge, the undersigned notary public in and for said county and state, personally appeared Lynn Carlquist, known or identified to me to be the Chairman of North Snake Ground Water District, Dean Stevenson, known or identified to me to be the Chairman of Magic Valley Ground Water District and Randy Brown, known or identified to me to be the Chairman of Southwest Irrigation District, that executed the within instrument, and known to me to be the person that executed the within instrument on behalf of said Ground Water Districts and Irrigation District, and acknowledged to me that such Ground Water Districts and Irrigation District executed the same for the purposes herein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.



Randall C. Budge
Notary Public for Idaho
Residing at Pocatello, Idaho
Commission Expires 10/11/2016.