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DEPARTMENT OF
WATER RESOURCES

Place of Use Lease Between
Cliffside Homeowners Association, Inc., Landlord and
Innovative Mitigation Solutions, LLC, Tenant

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PLACE OF USE LEASE

THIS Place of Use Lease ("**Lease**") is entered into as of the 19th day of October, 2013, ("**Effective Date**") by and between Cliffside Homeowners Association, Inc., an Idaho non-profit corporation ("**Landlord**") and Innovative Mitigation Solutions, LLC, an Idaho limited liability company ("**Tenant**").

RECITALS

WHEREAS the members of Landlord are the owners of all of the lots in Cliffside Subdivision in Blaine County, Idaho through which a portion of the Comstock Ditch which portion is hereinafter identified and described as the "**Place of Use**";

WHEREAS Tenant desires to lease from Landlord the Place of Use for the purpose of conducting ground water recharge operations and related activities, including but not limited to, the acquisition of ground water recharge credits ("**Credits**") recognized and approved by the Idaho Department of Water Resources ("**Tenant's Use**"); and

WHEREAS Landlord desires to lease to Tenant the Place of Use for Tenant's Use and no other.

NOW THEREFOR, Landlord and Tenant, for good and valuable consideration, agree as follows:

1. **Lease and Term.**

1.1 Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the Place of Use, depicted on Exhibit A, for a primary term commencing on the Effective Date and terminating five (5) years thereafter.

1.2 Either party, by giving the other party at least ninety (90) days written notice before the expiration of the primary term, may extend the term of this Lease for five (5) periods of one (1) year each on the same terms and conditions, except length of term, as the primary term. During the term of this Lease, including any of the extended terms. Landlord may elect to terminate this Lease by giving Tenant at least ninety (90) days written notice.

2. **Rent.**

2.1 From and after the Effective Date, Tenant shall pay Landlord annual rent ("**Rent**") in the following manner based upon the following formula: Tenant shall convey and transfer to Landlord fifty percent (50%) of all Credits approved by IDWR for Tenant during the prior calendar year arising from Tenant's Use of the Place of Use.

2.2 The Rent shall be delivered to Landlord within thirty (30) days after the

anniversary of the Effective Date.

2.3 Tenant shall deliver the Rent to the Landlord at Landlord's address set forth in Article 9.

2.4 The percentage of credits split between Landlord and Tenant as provided in item 2.1 above shall be reviewed and, if mutually determined to be appropriate, adjusted at least on the occurrence of the following three events during this lease:

- (a) Upon the Tenant securing a water right permit;
- (b) Upon the Landlord developing a recharge site plan: and
- (c) Upon the Landlord determining costs of additional works.

3. **Restrictions on Tenant's Use.** Tenant may use the Place of Use for Tenant's Use only at times convenient to Landlord. So long as such activities do not interfere with Landlord's use of the Place of Use during the irrigation season ("**Landlord's Use**"), upon fifteen (15) days written notice to Landlord ("**Tenant's Notice of Use**"), Tenant may propose activities related to Tenant's Use of the Place of Use. Landlord shall have the sole and absolute determination of whether the timing and nature of Tenant's proposed activities shall interfere with Landlord's Use. If Landlord determines Tenant's proposed activities interfere with Landlord's Use, Landlord shall notify Tenant of such determination within ten (10) after receiving Tenant's Notice of Use. In that event Tenant shall not conduct its proposed activities. (this might be a problem given we might not know 15 days in advance when the recharge water right will be in priority)

4. **Management, Operation and Maintenance of Place of Use.** Landlord shall manage, operate, maintain and repair the Place of Use during the Term on this Lease. Landlord shall operate the Place of Use as necessary to allow Tenant to complete the activities of Tenant's Use at such times as Tenant so desires, subject to paragraph 3, above.

5. **Indemnification by Tenant.** Tenant shall indemnify, defend (by counsel reasonably acceptable to Landlord), protect and hold Landlord, and its trustees, employees and agents, free and harmless from and against any and all claims, liabilities, penalties, forfeitures, losses or expenses (including attorney's fees) arising from or caused in whole or in part, directly or indirectly, by the activities of Tenant on or about the Place of Use pursuant to and during the Term of this Lease.

6. **Title.**

6.1 Landlord covenants that Landlord's members are the owners of the Place of Use and that Landlord has, on behalf of such members, full right and authority to enter into this

Lease.

6.2 Nothing in this Lease shall be deemed to require either party to perform any labor or furnish any materials for any construction, rebuilding, alteration or repair of or to the Place of Use or any part thereof, nor as giving Tenant any right, power or authority to contract for or permit the rendering of any services or the furnishing of any materials, which might in any way give rise to the right to file any lien against Landlord's interest in the Place of Use.

7. **Alterations.**

7.1 Tenant shall not make any alterations in or additions to the Place of Use.

7.2 Landlord shall not be required to make any alterations in or additions to the Place of Use by reason of this Lease or Tenant's Use.

8. **Subletting or Assignment.** Tenant shall not transfer, assign or convey this Lease or any interest under it, or sublet the Place of Use or any part thereof, or permit the use of the Place of Use or any part thereof by anyone other than Tenant.

9. **Notices.** All notices given pursuant to this Lease shall be in writing and shall be given by United States mail or other established express delivery service (such as Federal Express), postage or delivery charge prepaid, addressed to the appropriate party at the address set forth as follows:

Landlord:	Cliffside Homeowners Association, Inc. PO Box 3175 Ketchum, ID 83340
With a copy to:	James P. Speck Speck & Aanestad, A Professional Corporation 120 East Ave. North P.O. Box 987 Ketchum, ID 83340
Tenant:	Innovative Mitigations Solutions, LLC 2918 N. El Rancho Rd. Boise, Idaho 83704.

The person and address to which notices are to be given may be changed at any time by any party upon written notice to the other party. The term "receipt" shall mean any of the following: (a) the date of delivery of the notice or other document as shown on the return receipt, (b) the date of receipt of the notice or other document by the person or entity specified, or (c) in the case of refusal to accept delivery or inability to deliver the notice or other document, the earlier of (i) the date of the attempted delivery or refusal to accept delivery, (ii) the date of the postmark on

the return receipt, or (iii) the date of receipt of notice of refusal or notice of nondelivery by the sending party.

10. General.

10.1 The parties hereto agree that this is the entire agreement between the parties hereto and there are no oral or written agreements to the contrary and this is the final, integrated document.

10.2 The Article headings are for convenience only and do not define, limit or construe the contents of the Article.

10.3 The terms and conditions hereof shall be bound upon and inure to the benefit of the respective parties, their administrators, executors, successors and assigns.

10.4 Each covenant, agreement and provision of this Lease shall be construed to be a separate covenant, agreement and provision. If any covenant, agreement or provision of this Lease or the application thereof to any person or circumstance shall to any extent be invalid or unenforceable, the remainder of this Lease, or the application of such covenant, agreement or provision to any person or circumstances other than those as to which such covenant, agreement or provision is invalid or unenforceable, shall not be affected thereby and each covenant, agreement and provision of this Lease shall be valid and enforceable to the extent permitted by law.

10.5 In the event the Landlord and/or Tenant shall be a corporation or other legal entity, the person executing this Lease on behalf of such legal entity hereby covenants and warrants that such legal entity is a duly qualified legal entity and all steps have been taken prior to the date hereof to qualify such legal entity to do business in the state of Idaho; all franchise and corporate taxes have been paid to date; and future forms, reports, fees and other documents necessary to comply with applicable laws will be filed when due.

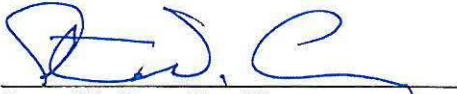
10.6 The laws of the State of Idaho shall govern the validity, performance and enforcement of this Lease.

10.7 Although the printed provisions of this Lease were drawn by Tenant, this Lease shall be construed not for or against Landlord or Tenant, but this Lease shall be interpreted in accordance with the general tenor of the language in an effort to reach an equitable result.

EXECUTED as of the day and year first above written.

Landlord:

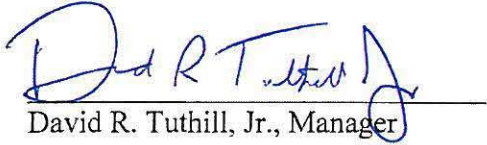
Cliffside Homeowners Association, Inc.

A handwritten signature in blue ink, appearing to read "P. W. Gray", written over a horizontal line.

Peter W. Gray, President

Tenant:

Innovative Mitigation Solutions, LLC

A handwritten signature in blue ink, appearing to read "David R. Tuthill, Jr.", written over a horizontal line.

David R. Tuthill, Jr., Manager

Exhibit A: Canal Crossing Cliffside Homeowners Association, Inc.

