PETER GOLDMARK
COMMISSIONER OF PUBLIC LANDS

IRRIGATED CASH LEASE

Lease No. 12-A79766

BY THIS LEASE, the STATE OF WASHINGTON, Department of Natural Resources, hereinafter called the "State," leases to _____SUCCESSFUL BIDDER, hereinafter called the "Lessee," the premises in Grant County, Washington, the legal description, encumbrances, and reservations, if any, of which are set forth in Exhibit 1A (the "Premises"). This lease is made upon the terms and conditions and for the consideration enumerated herein. All exhibits to this lease are attached and incorporated herein.

SECTION 1 OCCUPANCY

Option 1: 10 year term if Irrigated Agriculture is proposed by bidder:

1.01 Lease Term. This lease shall commence on January 1, 2018 ("Commencement Date"), and shall expire on December 31, 2027 ("Termination Date").

Option 2: 25 year term if Orchard or Vineyard is proposed by bidder:

1.01 Lease Term. This lease shall commence on January 1, 2018 ("Commencement Date"), and shall expire on December 31, 2042 ("Termination Date").

1.02 Condition of Premises. Taking possession of the Premises by Lessee shall constitute acknowledgment by Lessee that the Premises are in good and tenantable condition and that the Premises are in all respects suitable for the uses permitted in Section 2. The State has no obligation to make any repairs, additions, or improvements thereto and expressly disclaims any warranty that the Premises are suitable for such permitted use(s). Lessee acknowledges its use of the Premises is subject to State's exercise of State's Reservations set forth in Section 4.

SECTION 2 USE OF PREMISES

2.01 Permitted Use. For this lease, the following use(s) and no other use(s) is/are permitted:

Bidders: Permitted Use will be as proposed by bidder (select one of two options).

Option 1, Irrigated Ag Crops:

PERMITTED USE	ACRES	AUTHORIZED CROPS
Irrigated Agriculture	128	Alfalfa, Beans, Cereal Grains, Corn, Mint, Onions, Peas, Potatoes, Timothy
Conservation	32	Conservation Leave

Option 2, if Orchard/Vineyard use is proposed, list crop and number of acres:

PERMITTED USE	ACRES	AUTHORIZED CROPS
_____ (Orchard or Vineyard)	____ Up to 155.60	_____(crops proposed by bidder)
Conservation	____ Remaining undeveloped acreage	Conservation Leave

*Irrigated agricultural row crops will be allowed as an interim use if proposed by bidder.

Below paragraph included if Orchard or Vineyard use is proposed.
For the purposes of the lease, orchard or vineyard acreage is defined as the gross acres devoted to vineyard or orchard production, including but not limited to orchard or vineyard management roads, grape or apple and equipment storage areas, and irrigation, electrical and trellis systems. Non-production shall be defined as those acres devoted to access roads and any areas considered to be non-production in the plan of development due to soil or topographic features which limit apple or grape production. All non-production acres must be approved by the State.

In the event Lessee desires a change in acreage, crops, or use, including grazing, authorization must be obtained in advance and in writing from State. Approval may be conditioned upon adjustment of the payments identified in Section 3, in accordance with changes in acreage, crops, or use. If approved, a written Change in Permitted Use authorization will be provided to Lessee, which shall automatically amend this lease on the date the Change in Permitted Use becomes effective by its terms. Permitted use(s) may be further limited by Section 6. The Lessee shall put the Premises to full beneficial use in accordance with customary industry standards, the permitted use(s), acres, and crop(s) designated herein, and any plan of development schedules identified herein. Failure to do so will be grounds for default.

The Bureau of Reclamation designated irrigable acreage for the Premises is 155.60 acres. At no time will the acres authorized for irrigated crops exceed this acreage limitation.

2.03 Plan of Development. Any proposed changes in acreage, crops, or use of the Premises must be submitted in writing to, and approved by, State as a plan of development. The State will review the plan and, if acceptable, issue written approval. The Lessee shall perform all development according to the terms of the approved plan of development.

Below version of subsection 2.03 will be used if orchard or vineyard crops are proposed, with development schedule proposed by bidder.

2.03 Plan of Development.

The following are the minimum acres that must be developed by the dates specified:

ACRES	CROP	DATE
Enter Acres Proposed	Enter Crop Proposed	Enter Date Proposed
Enter Acres	Enter Crop	Enter Date

If Lessee fails to develop the Premises according to the schedule set forth herein or the approved plan of development, State may elect to cancel the lease.

Any proposed changes in acreage, crops, or use of the Premises must be submitted in writing to, and approved by, State as a plan of development. The State will review the plan and, if acceptable, issue written approval. The Lessee shall perform all development according to the terms of the approved plan of development.

2.04 Irrigation System Development. The Lessee shall furnish and install at Lessee's own expense that portion of the irrigation system specified in the approved irrigation system plan and design which will meet the criteria outlined in Subsection 2.05. The State will not pay for any portion of the irrigation system unless specifically agreed to in writing by State.

2.05 Plans and Specifications. Except for any facilities that may be installed or constructed by State, as set forth in the Notice of Intent to Lease, Lessee shall furnish and install all new or replacement irrigation facilities on the Premises according to the following criteria:

1. Plans. Plans shall be prepared by Lessee to show location of the components, size

of pumps, motors, pipelines, valves and other controls, including the electrical system and the overall length of each size of pipe. Plans shall be for the final design to irrigate the irrigable land for which water is available. Plans may show staged development to be completed over one or more years. Plans are subject to review and written approval by State.

2. Minimum Specifications. The buried portions of the irrigation system shall have a designed sprinkler application rate of at least eight (8) gallons per minute per acre. Trickle system application rates shall be at least five (5) gallons per minute per acre. All construction must meet the following conditions:

a. Materials used shall have a minimum expected life of twenty-five (25) years. The Lessee shall provide such information and data as needed for review of the materials. The Lessee shall install the system in accordance with the manufacturer's recommendations.

b. All components of the system shall have a manufacturer's design pressure of at least one hundred twenty-five (125) percent of designed operating pressures.

c. The velocity of water in the mainlines or submainlines of the system shall not exceed five (5) feet per second.

d. All plans shall include pressure relief valves, air relief valves, drains, thrust blocks and anodes.

3. Preconstruction Conference. A preconstruction conference will be held with State to review the plans and specifications. The Lessee may request alteration or deviation from the above specifications at this conference. Any change in specifications must be authorized in writing by State before construction begins.

4. Compliance. State may make inspections to confirm Lessee's conformance with approved plans and specifications. If construction is not in accordance with approved plans and specifications, Lessee shall immediately take actions as required to correct any deficiency.

2.06 Operating Schedule. The Lessee shall notify State fifteen (15) days prior to starting work on the development of the Premises as set forth in this lease. If requested by State, Lessee shall either a) meet with a representative of State prior to starting any development of the Premises to establish an operating schedule or b) submit a written operating schedule for State's approval prior to starting any development of the Premises.

2.08 Limitations on Use. In connection with Lessee's use of the Premises, Lessee shall:

1. Conform to all applicable laws, rules and regulations of any public authority affecting the Premises. The Lessee shall provide to State, within ten (10) days of receipt of same, a copy of any notice received from any public authority which indicates that Lessee is not in compliance with applicable laws, rules and regulations. In addition, Lessee shall bear, at Lessee's sole expense, any costs associated with bringing the Premises into compliance, including any attorneys' fees, costs, fines or penalties;

2. Remove no valuable material or timber, without prior written approval of State;

3. Take all reasonable precautions to protect the Premises from fire, and make every effort to report and suppress such fires as may occur;

4. Obtain all applicable licenses or permits;

5. Use only electric fences approved by Underwriters Laboratories;

6. Not live, reside, or permit others to live or reside on the Premises without prior written approval from State.

2.09 Authorized Crop Rotation. The Lessee is authorized to produce only one crop of either potatoes or onions within a three (3) year period, in the same field. Planting more than one crop of either potatoes or onions within a three (3) year period, in the same field, will be deemed a default; failure to produce such a crop will not constitute a default. The Lessee may request a change to this clause and Subsection 3.01; if agreed upon, approval will be given by State in writing.

SECTION 3 PAYMENT

Payments made hereunder may be applied first to interest, then to outstanding or delinquent rent, leasehold tax and other charges owed, then to current rent, leasehold tax, and charges.

Rents will be based on crops proposed by bidder:

Option 1 – Irrigated Agricultural Row Crop Rent:

3.01 Cash Rent. The Lessee shall pay to State the required rent of $57,600.00 for the period of January 1, 2018 to December 31, 2018. Rent shall be paid in two (2) semi-annual payments of $28,800.00 due on May 1, 2018, and $28,800.00 due on November 1, 2018, with the same amount due semi-annually thereafter, subject to Subsection 3.08.

In addition, Lessee shall pay to State a one-time bonus bid of $_____(amount proposed by successful bidder) due no later than April 11, 2017.

Option 2 – When orchard or vineyard crops are proposed by bidders: Regardless of acres proposed, rent will be based on 155.60 acres. When proposed by bidder, irrigated agricultural row crops will be allowed as an interim use, billed at the irrigated agricultural row crop rent noted above (based on a rental rate of $450.00 per acre).

Option 2A – Orchard Rent:

3.01 Cash Rent. The Lessee shall pay to State the required rent of $124,480.00 for the period of January 1, 2018 to December 31, 2018. Rent shall be paid in two (2) semi-annual payments of $62,240.00 due on May 1, 2018, and $62,240.00 due on November 1, 2018, with the same amount due semi-annually thereafter, subject to Subsection 3.08.

In addition, Lessee shall pay to State a one-time bonus bid of $_____(amount proposed by successful bidder) due no later than April 11, 2017.

Option 2B – Vineyard Rent:

3.01 Cash Rent. The Lessee shall pay to State the required rent of $108,920.00 for the period of January 1, 2018 to December 31, 2018. Rent shall be paid in two (2) semi-annual payments of $54,460.00 due on May 1, 2018, and $54,460.00 due on November 1, 2018, with the same amount due semi-annually thereafter, subject to Subsection 3.08.

In addition, Lessee shall pay to State a one-time bonus bid of $_____(amount proposed by successful bidder) due no later than April 11, 2017.

3.05 No Counterclaim, Setoff, or Abatement of Rent. Rent and all other sums payable by Lessee hereunder shall be paid without the requirement of prior notice or demand by State, and shall not be subject to any counterclaim, setoff, deduction or defense and without abatement. The obligations and liabilities of Lessee hereunder shall in no way be released, discharged or otherwise affected.

3.06 Interest Penalty for Past-Due Rent and Other Sums Owed. The Lessee shall pay interest at the rate of one percent (1%) per month (or at such higher rate as may be authorized by statute after the commencement date hereof), until paid, on rent or other sums owing under the terms of this lease, commencing the date such rent or other sum is due and payable. In the event State pays any sum or incurs any expense which Lessee is obligated to satisfy or pay under this lease, or which is made on behalf of Lessee, State shall be entitled to receive reimbursement thereof from Lessee upon demand, together with interest thereon from the date of expenditure at the rate stated above.

3.08 Adjustment of Rent. On January 1, 2023 (Adjustment Date), upon the effective date of the approval of any new Permitted Use, or upon the execution of any new CRP contract, a new rent will be established to be effective as of the Adjustment Date. The adjusted rent shall be determined by State through an evaluation of fair market rental value. Failure on the part of State to establish a new rent by the Adjustment Date shall not preclude State from doing so then or thereafter, and the adjusted rent shall be retroactive to the Adjustment Date, unless otherwise provided by State.

Above 3.08 will be replaced with below version if orchard or vineyard is proposed.

3.08 Adjustment of Rent. On January 1, 2023 and at intervals of five (5) years thereafter (Adjustment Date), upon the effective date of the approval of any new Permitted Use, or upon the execution of any new CRP contract, a new rent will be established to be effective as of the Adjustment Date. The adjusted rent shall be determined by State through an evaluation of fair market rental value. Failure on the part of State to establish a new rent by the Adjustment Date shall not preclude State from doing so then or thereafter, and the adjusted rent shall be retroactive to the Adjustment Date, unless otherwise provided by State.

3.09 Leasehold Excise Tax on Rent. In addition to all rents, Lessee shall pay leasehold excise tax, in compliance with Chapter 82.29A of the Revised Code of Washington.

SECTION 4 RESERVATIONS

4.01 Compliance. The State shall have access to the Premises at all reasonable times to determine and secure compliance with this lease. Failure to inspect or enforce compliance shall not be construed as a waiver of State's right to declare a breach, nor relieve Lessee of any liability to State for any breach of the terms, conditions, or requirements of this lease.

4.02 Access. The State reserves the right to grant easements on the Premises.

4.03 Uses. The State reserves the right to lease the Premises for other uses which are compatible with Lessee's permitted use(s) set forth in Section 2.01, provided State notifies subsequent lessees of the existence of this lease prior to entering any subsequent lease and any future lease requires all future lessees to avoid any substantial interference with Lessee's use of the Premises. State further reserves the right to sell, lease, or otherwise dispose of minerals, coal, oil, gas, gravel, stone, forestry resources or other valuable materials in a manner consistent with Lessee's right to use the Premises for its permitted use(s) set forth in Subsection 2.01. Lessee's obligations under this lease shall not increase as a result of any subsequent lease except that Lessee shall be required to notify State of any interference with Lessee's permitted use(s). Lessee's Plan of Development and placement of improvements must be such that State's adjacent ownership, if any, will not be impaired.

4.04 Public Hunting, Fishing and Nonconsumptive Wildlife Activities. The Premises shall be open and available to the public for purposes of hunting, fishing, nonconsumptive wildlife, and other activities, unless a closure is authorized in writing by State, as stated in RCW 79.10.125. In the event that a closure is authorized by State for hunting, fishing or nonconsumptive wildlife activities, Lessee shall post the Premises accordingly with signs to inform the general public of such closure. Authority to close the Premises may be given to protect interests of Lessee, State, or the general public.

4.05 Right to Inspect. State has the right to inspect the Premises at all times, including improvements constructed thereon. In addition, Lessee shall allow State's employees access to buildings and facilities during regular business hours of Lessee's operations, or at other times as

may be requested by State. State's inspection shall not waive any requirement of this lease nor shall any representation made by any State employee during the course of an inspection amend or in any way modify this lease or Lessee's obligations under this lease.

4.06 Roads. During the term of this lease, Lessee is granted, subject to rights previously granted, a nonexclusive easement to use existing roads on the Premises only for permitted operations under this lease. The State reserves the right to build roads and grant easements to others to use new and existing roads. The Lessee may not construct new roads or undertake any modification or alteration to existing roads without the prior written consent of State.

4.08 Non-Default Termination. In response to a written request from Lessee asking to surrender the leasehold, State may, at its sole discretion, terminate all or part of this lease upon satisfaction by Lessee of all outstanding rents, duties, and obligations. The State may condition the surrender upon payment of a fee to be set by State and Lessee's acknowledgement of the continuation of any obligations that survive termination of this Lease pursuant to Section 9.07.

This lease, or any portion thereof, is also subject to termination upon sixty (60) days' written notice in the event State includes the Premises in a plan for higher and better use, land exchange, or sale. The Lessee will be allowed to use the Premises for the remainder of the current grazing season for grazing purposes and/or for the remainder of the farming season to harvest any permitted crop, subject to the permitted use(s) set forth in Subsection 2.01.

Below version of 4.08 will be used if orchard/vineyard use is proposed.
4.08 Non-Default Termination. In response to a written request from Lessee asking to surrender the leasehold, State may, at its sole discretion, terminate all or part of this lease upon satisfaction by Lessee of all outstanding rents, duties, and obligations. The State may condition the surrender upon payment of a fee to be set by State and Lessee's acknowledgement of the continuation of any obligations that survive termination of this Lease pursuant to Section 9.07.

SECTION 5 REQUIREMENTS

5.01 Assessments. Lessee shall pay all assessments that may be charged against the Premises unless otherwise approved in writing by State due to a shared use of the Premises authorized by State pursuant to Section 4.03. Lessee's responsibility to pay an assessment shall never be reduced below Lessee's share of the use and control of the Premises. Assessments will be billed at the time rent is due, and may include collection of payments for more than one billing cycle, or on another schedule determined by State to avoid administrative costs associated with billing. The Lessee's obligations under this subsection are not limited to assessments relating to the encumbrances (if any) listed in the legal description referred to in Exhibit 1A of this lease, but extend to all assessments that may be charged against the Premises, including, but not limited to, weed assessments, watershed protection district assessments, conservation district assessments, storm water runoff assessments, and local improvement district assessments.

5.02 Utilities. Lessee shall be liable for all electrical power and other utility charges or expenses associated with Lessee's use of the Premises, including, but not limited to, power minimums and disconnect charges incurred prior to termination or expiration of this lease.

5.03 Taxes. The Lessee shall pay all federal, state and local taxes, penalties and interest owing due to Lessee's failure to pay such taxes, penalties and interest including, but not limited to, personal property tax and leasehold excise tax (in accordance with Chapter 82.29A of the Revised Code of Washington), as it may be amended from time to time, that may be charged against the lease and improvements located on the Premises. If State must pay any taxes, penalties or interest because of Lessee's failure to pay such taxes, penalties or interest, Lessee shall immediately, upon notice from State, reimburse State for such expenditures and the obligation shall accrue interest until paid.

5.04 Insolvency of Lessee. If Lessee becomes insolvent, bankrupt, or has a receiver appointed, State may terminate this lease. Insolvency as used herein will mean the inability of Lessee to meet obligations as they come due.

5.05 Insurance/Indemnity/Hold Harmless. To the fullest extent permitted by law, Lessee shall indemnify, defend and hold harmless State, agencies of State and all officials, agents and employees of State, from and against any and all claims, including claims by Lessee's employees, agents, and contractors, arising out of or resulting from any act or omission of Lessee, its agents, employees and contractors while operating under this lease or at the Premises. "Claims" as used in this subsection means any financial loss, claim, suit, action, damage, or expense, including but not limited to attorney's fees, attributable to bodily injury, sickness, disease, or death, or injury to or destruction of tangible property including loss of use resulting therefrom. The Lessee's obligation to indemnify, defend and hold harmless State shall not be eliminated or reduced by any actual or alleged concurrent negligence of State or its agents, agencies, employees and officials. The Lessee waives its immunity under Title 51 to the extent it is required to indemnify, defend and hold harmless State and its agencies, officials, agents or employees.

General Insurance Requirements. The Lessee shall, at all times during the term of the lease at its cost and expense, buy and maintain insurance of the types and amounts listed below. Failure to buy and maintain the required insurance is a default of this lease.
All insurance and surety bonds should be issued by companies admitted to do business within the State of Washington and have a rating of A-, Class VII or better in the most recently published edition of Best's Reports. Any exception shall be reviewed and approved by State's Risk Manager, before the lease is executed. If an insurer is not so admitted, all insurance policies and procedures for issuing the insurance policies must comply with Chapter 48.15 RCW and 284-15 WAC.

Before starting work under this lease, Lessee shall, at State's request, furnish State at its Region Office with a certificate(s) of insurance, executed by a duly authorized representative of each insurer, showing compliance with the insurance requirements and lease.

The State shall be provided written notice before cancellation or non-renewal of any insurance referred to therein, in accordance with the following specifications:

1. Insurers subject to 48.18 RCW (Admitted and Regulated by the Insurance Commissioner): The insurer shall give State forty-five (45) days advance notice of cancellation or non-renewal. If cancellation is due to non-payment of premium, State shall be given ten (10) days advance notice of cancellation.

2. Insurers subject to 48.15 RCW (Surplus lines): The State shall be given twenty (20) days advance notice of cancellation. If cancellation is due to non-payment of premium, State shall be given ten (10) days advance notice of cancellation.

Sublessee(s) must comply fully with all insurance requirements stated herein. The Lessee shall include all sublessee(s) as insureds under all required insurance policies, or shall furnish separate certificates of insurance and endorsements for each sublessee. Failure of sublessee(s) to comply with insurance requirements does not limit Lessee's liability or responsibility.

The State, its elected and appointed officials, agents and employees shall be named as an additional insured on all general liability, excess, umbrella and property insurance policies.

All insurance provided in compliance with this lease shall be primary as to any other insurance or self-insurance programs afforded to or maintained by State.

The Lessee waives all rights against State for recovery of damages to the extent these damages are covered by general liability or umbrella insurance maintained pursuant to this lease.
If Lessee is self-insured, evidence of its status as a self-insured entity shall be provided to State and upon receipt by State shall be automatically incorporated into this lease. If requested by State, Lessee must describe its financial condition and the self-insured funding mechanism.

By requiring insurance herein, State does not represent that coverage and limits will be adequate to protect Lessee, and such coverage and limits shall not limit Lessee's liability under the indemnities and reimbursements granted to State in this lease.

The limits of insurance, which may be increased by State, as deemed necessary, shall not be less than as follows:

Description	**Commercial General Liability (CGL) Insurance**
General Aggregate Limit	$2,000,000
Each Occurrence Limit	$1,000,000

The Lessee shall maintain commercial general liability (CGL) insurance and, if necessary, commercial umbrella insurance with a limit of not less than the amounts listed above per each occurrence. If such CGL insurance contains aggregate limits, the General Aggregate limit shall be at least twice the "each occurrence" limit. CGL insurance shall have products-completed operations aggregate limit of at least two times the "each occurrence" limit.

CGL insurance shall be written on Insurance Services Office (ISO) occurrence form CG 00 01 (or a substitute form providing equivalent coverage). All insurance shall cover liability arising out of the Premises, operations, independent contractors, sublessees, products-completed operations, personal injury and advertising injury, and liability assumed under an insured contract (including the tort liability of another party assumed in a business contract), and contain separation of insureds (cross liability) condition.

Employer's Liability Insurance and Worker's Compensation Insurance. Lessee shall buy employers liability insurance and, if necessary, commercial umbrella liability insurance with limits not less than $1,000,000 each accident for bodily injury by accident or $1,000,000 each employee for bodily injury by disease.

The Lessee shall comply with all State of Washington workers compensation statutes and regulations. Workers compensation coverage shall be provided for all employees of Lessee and employees of any sublessees. Coverage shall include bodily injury (including death) by accident or disease, which arises out of or in connection with the performance of this lease. Except as prohibited by law, Lessee waives all rights of subrogation against State for recovery of damages to the extent they are covered by workers compensation, employers liability, commercial general liability or commercial umbrella liability insurance.

If Lessee or sublessee fails to comply with all State of Washington workers compensation statutes and regulations and State incurs fines or is required by law to provide benefits to or obtain coverage for such employees, Lessee shall indemnify State. Indemnity shall include all fines, payment of benefits to Lessee, sublessees, employees, or their heirs or legal representatives, and the cost of effecting coverage on behalf of such.

Business Auto Policy. The Lessee shall maintain business auto liability and, if necessary, commercial umbrella liability insurance with a limit not less than $1,000,000 per accident. Such insurance shall cover liability arising out of "Any Auto".

Business auto coverage shall be written on ISO form CA 00 01, or substitute liability form providing equivalent coverage. If necessary, the policy shall be endorsed to provide contractual liability coverage and cover a "covered pollution cost or expense" as provided in the 1990 or later editions of CA 00 01.

The Lessee waives all rights against State for the recovery of damages to the extent they are covered by business auto liability or commercial umbrella liability insurance.

5.06 Records. Lessee shall prepare, maintain, and keep records in accordance with applicable law and prudent business practices. A clear, complete, detailed record and accounting of business of every kind and character affecting payment due State and crop production, shall be maintained at a location in Washington, for a period of at least seven (7) years following: (1) each harvest; (2) payment of rent; or, (3) the date accounting is provided to State, whichever is later. Further, Lessee shall prepare, maintain, and keep records of management practices conducted on the Premises, including, but not limited to, the use of pesticides, for the term of this lease or as

required by law.

5.07 Right to Examine Books and Records. The acceptance by State of any payment under Section 3 herein shall be without prejudice to State's right to examine Lessee's books and records to verify the amount of crops and/or proceeds received by Lessee from the Premises. Lessee shall authorize and permit State or its agents to examine any and all books, records and files of all kinds for the use of State for the purpose of determining and enforcing compliance with the provisions of this lease.

5.09 Harvest Reports. Lessee shall, as soon as possible, furnish harvest reports to State at its Region Office, but no later than thirty (30) days after final date of harvest of all crops. Harvest reports shall include the planted acreage and variety of crops harvested, quantity, the grades if known, the field number, circle number, block number, or location of each crop grown and the place of storage, processing or other disposition of the crops.

If orchard or vineyard use is proposed, substitute subsection 5.09B below:
5.09 Harvest Reports. Lessee shall, as soon as possible, furnish harvest reports to State at its Region Office, but in no case later than thirty (30) days after final date of harvest of irrigated and dryland crops. For tree fruit or grapes, Lessee shall, as soon as possible, furnish harvest reports to State at its Region Office, but no later than December 31st of the current crop year after final harvest of each crop and variety located on the Premises.

Harvest reports shall include the planted acreage and variety of crops harvested, quantity, the grades if known, the field number, circle number, block number, or location of each crop grown and the place of storage, processing or other disposition of the crops.

5.10 Conservation Plan. Fifteen (15) days prior to disturbing any vegetation or soil to cultivate any previously uncultivated land on the Premises, Lessee shall furnish State with a copy of a conservation plan approved by the Natural Resource Conservation Service (NRCS). The plan shall be partial fulfillment of the requirements set forth in Subsection 6.02(1).

SECTION 6 MANAGEMENT

6.01 Weed Control. The Lessee shall control all noxious weeds on all lands under this lease in a manner consistent with applicable laws. The Lessee shall be responsible for, or shall immediately reimburse State for, any noxious weed control costs incurred as a result of Lessee's failure to control noxious weeds on said Premises.

6.02 Management. The Lessee shall manage and maintain the Premises, and all improvements related to Lessee's use of Premises regardless of ownership thereof, in accordance with customary standards of the industry. In addition, Lessee shall:

1. Follow the "Resource Management Plan" (RMP) attached hereto as Exhibit 6A and by this reference made a part hereof. The State shall have the right to amend the RMP to meet future needs or changes in circumstances or Permitted Uses.

2. Upon request of State, and jointly with State, enter into a "Management Agreement" (MA) on terms and conditions acceptable to State, which, upon joint execution shall automatically amend and be made a part of this lease, and a copy thereof shall be attached as Exhibit 6B. The MA shall identify specific management objectives for Lessee's operation and the specific steps or practices which Lessee shall implement in order to meet these objectives. The Lessee shall meet the specific management objectives by the dates outlined in the MA. The State shall have the right to amend the MA to meet future needs or changes in circumstances.

3. The Lessee acknowledges that a "Coordinated Resource Management" (CRM) plan either has been or may in the future be developed between Lessee, State and other landowners in the general location of the Premises for the protection, preservation, and use of agricultural and grazing premises under multiple ownership. Lessee shall cooperate with State and other landowners to complete or develop a CRM plan. After a CRM plan has been developed, this lease shall automatically be amended to incorporate the terms of the CRM plan by attaching the CRM plan as Exhibit 6C.

Remove below subsection 6. if orchard/vineyard use is proposed.

6. Incorporate all crop residue and stubble into the soil at a time and by a tillage method recommended by the County Extension Agent (Agent) or the NRCS Soil Conservation Technician (Technician) for the local area, so as to comply with all state and federal laws relating to water and air quality, and to avoid soil erosion. Any deviation from the technical recommendations by the Agent or Technician must be authorized in writing by State.

6.03 Federal Farm Program. If Lessee is enrolled in any federal farm program at any time during the lease term, Lessee shall conform to United States government federal farm program requirements as they now exist, or as they may be amended, to maintain eligibility related to program participation. Deviations from such programs are permissible only if allowed, in advance, in writing by State. Participation in any land retirement program must have prior written approval from State. Unless otherwise agreed, if Lessee is enrolled in one or more Conservation Reserve Program contract(s) that extend beyond the expiration of this lease and Lessee is not issued a new lease for the premises at its expiration, Lessee shall take all necessary action to terminate its participation and relinquish its rights in the Conservation Reserve Program contract(s) to allow State or the new lessee or owner to become a successor to the existing contract or a participant to a new contract under the same terms and conditions as the existing contract.

The Lessee shall be reimbursed the residual value of Lessee's actual expenses incurred to establish eligible practices required by the existing Conservation Reserve Program contract(s)

subject to the following: Actual expenses will be taken from Form AD-245, or a similar form approved by the Commodity Credit Corporation, and offset by all cost-shares received from or payable by the Commodity Credit Corporation and any other source. Straight line depreciation will be used to determine the residual value of these expenses over the duration of the Conservation Reserve Program contract(s) with a salvage value of zero at the expiration of the contract(s). The residual value of these expenses will be collected at the time of public auction and the money so collected will be remitted to Lessee, less the value of any damages or waste to the property caused by Lessee.

6.04 Water Supply. The Lessee shall comply with the regulations of the South Columbia Basin Irrigation District for the delivery of water to Block 253, Unit 46, and the provisions of Public Law 91-310.

State Does Not Guarantee Water Availability, Water Right, Water Quantity, or Water Quality. Lessee acknowledges that State has made no representation to Lessee of water availability, water quantity or quality, or any other representation to guarantee the use of water to serve the purposes of this lease. Lessee hereby releases and forever discharges State, its officers, directors, agents, and employees from any and all claims or causes of action arising from Lessee's use of water, including, but not limited to water availability, quality or quantity of any water or water supply and any other water-related problems such as, but not limited to, lack, contamination, failure, excess, shortage, interruption or stoppage of water.

Federal Project Restrictions. No later than thirty (30) days after leasing or development of the Premises, whichever is later, Lessee must be in compliance with laws relating to federal reclamation project water.

6.06 Irrigation System. The Lessee has inspected State-owned irrigation system on the Premises and accepts the same in its present condition. The State does not warrant the system's fitness for intended use, its capacity, or the quality or quantity of water which it may produce. The Lessee shall, at its sole expense, maintain, winterize and repair State-owned irrigation system in a prudent manner to keep it operational.

6.07 Maintenance Records. The Lessee shall keep at a reasonable location, clear, complete and detailed records of all maintenance, repairs, and replacement of parts of every kind and character, affecting State-owned irrigation system.

Below subsection 6.09 is for irrigated row crops:

6.09 Site Rehabilitation. Prior to expiration or termination of this lease, at State's request and sole option, Lessee, at its sole cost, shall rehabilitate the Premises as follows:

1. The Lessee shall remove all above-ground irrigation systems, trellis systems, and other above ground fixtures.

2. The Lessee shall establish a grass seed mixture acceptable to the State on the portion of the premises in Irrigated Agriculture as outlined in Subsection 2.01 to reduce soil erosion.

If orchard/vineyard use proposed, substitute clause 6.09D and edit to match crop proposed:

6.09 Site Rehabilitation. Prior to expiration or termination of this lease, at State's request and sole option, Lessee, at its sole cost, shall rehabilitate the Premises as follows:

The Lessee shall till that portion of the Premises planted to "[tree fruits and/or grapes]" by use of a rotovator or comparable machinery, at a minimum depth of eighteen (18) inches to remove all "[trees or vines]", stumps, and roots. The Lessee shall dispose of all "[trees or vines]", stumps, and roots.

The Lessee shall remove all above-ground irrigation systems, trellis systems and other above ground fixtures.

At State's request, Lessee shall, on December 31, 2037 provide to State performance security in the form of a savings account assignment, cash deposit, a certificate of deposit or a performance bond issued by a company acceptable to State, letter of credit to guarantee payment of damages and performance of all provisions or unfulfilled obligations under this subsection, or other form of security authorized by State under Subsection 8.05 of this lease ("Surety"). State shall determine the amount of the Surety based on the cost of full execution of rehabilitation activities referred to in this Subsection 6.09. The Surety will be deposited with State to remain in effect until site rehabilitation is complete, all associated costs have been paid in full, and the Premises are free from all liens and claims of contractors, subcontractors, mechanics, laborers, and materialmen.

6.10 Deleterious, Hazardous, Toxic, or Harmful Substances.

1. Deleterious Material. The Lessee shall not make or permit any filling in of the Premises or any deposit of rock, earth, ballast, refuse, garbage, waste matter, chemical, biological or other wastes, hydrocarbons, any other pollutants, or other matter within or upon the Premises, except as approved in writing by State. If Lessee deposits and then fails to remove all nonapproved fill material, refuse, garbage, wastes or any other of the above materials from the Premises, Lessee agrees that State may, but is not obligated to, remove such materials and charge Lessee for the cost of removal and disposal.

2. Hazardous, Toxic, or Harmful Substances.

   a. The Lessee shall not keep on or about the Premises, any substances now or hereinafter designated as or containing components now or hereinafter designated as hazardous, toxic, dangerous, or harmful, and/or which are subject to regulation as hazardous, toxic, dangerous, or harmful by any federal, state or local law, regulation, statute or ordinance (hereinafter collectively referred to as "Hazardous Substances") unless such are necessary to carry out Lessee's permitted use(s) under Subsection 2.01 and

unless Lessee fully complies with all federal, state and local laws, regulations, statutes, and ordinances, now in existence or as subsequently enacted or amended.

b. With respect to Lessee's use of the premises or as a result of Lessee's personal knowledge of activities on the premises, Lessee shall:

(1) Immediately notify State of (i) all spills or releases of any Hazardous Substance affecting the Premises, (ii) all failures to comply with any federal, state, or local law, regulation or ordinance, as now enacted or as subsequently enacted or amended, (iii) all inspections of the Premises by, or any correspondence, orders, citations, or notifications from any regulatory entity concerning Hazardous Substances affecting the Premises, (iv) all regulatory orders or fines or all response or interim cleanup actions taken by or proposed to be taken by any government entity or private party concerning the Premises;

(2) On request, provide copies to State of any and all correspondence, pleadings, and/or reports received by or required of Lessee or issued or written by Lessee or on Lessee's behalf with respect to the use, presence, transportation or generation of Hazardous Substances related to the Premises; and

c. The Lessee shall be fully and completely liable to State, and shall indemnify, defend, and hold harmless State and its agencies, employees, officers, and agents with respect to any and all damages, costs, fees (including attorneys' fees and costs), penalties (civil and criminal), and cleanup costs assessed against or imposed as a result of Lessee's use, disposal, transportation, generation and/or sale of Hazardous Substances or that of Lessee's employees, agents, sublessees, contractors, subcontractors, licensees or invitees, and for any breach of this subsection.

6.11 Condition of Premises at End of Lease. Prior to vacating the Premises, Lessee shall leave the Premises, and all improvements described in Section 8 of this lease to which State has elected to claim title, in the state of repair and cleanliness required to be maintained by Lessee during the term of this lease, and shall peaceably and quietly surrender the same to State.

SECTION 7 SUBLEASES AND ASSIGNMENTS

7.01 Sublease. The Premises, in whole or in part, and the appurtenances thereon shall not be subleased without prior written approval from State and only if Lessee obtains sublessee's agreement to be bound by the terms and conditions of this lease for sublessee's use of the Premises.

Pursuant to the sublease, sublessee shall comply with all the terms and conditions as stated in this lease and any supplements thereto. This authorization in no way releases Lessee from its obligations under this lease, including but not limited to the responsibility that all payments, rent and taxes are paid in accordance with the terms of the lease.

7.02 Assignment. State may assign the lease at State's option. The Lessee shall not hypothecate, mortgage, assign, encumber, transfer, or otherwise alienate this lease or any interest therein, or engage in any other transaction which has the effect of transferring or affecting the right of enjoyment of the Premises, without the prior written approval of State.
If Lessee is a corporation, partnership or other association, the transfer of more than fifty percent (50%) of the ownership interest in such entity, or the sale of all or substantially all of the assets of such Lessee shall be deemed to constitute an assignment of this lease which requires prior written approval of State.

7.03 Approval of Sublease or Assignment. In granting such approval, State reserves the right to change the terms and conditions of this lease as it may affect the sublessee/assignee. The State shall be entitled to consider, among other items, the proposed sublessee's/assignee's financial condition, managerial capability, business reputation, nature of the proposed sublessee's/assignee's business, the then current fair market rental value of the Premises, and such other factors as may reasonably bear upon the suitability of the sublessee/assignee or transferee as a tenant of the Premises or the holder of this lease. The State may require reimbursement for any additional administrative costs resulting from the assignment.

Consent of State to an assignment or transfer shall not constitute a waiver of State's right to approve or disapprove subsequent assignments or transfers. The acceptance by State of payment or performance shall not constitute consent to any assignment or transfer, and State's consent shall be evidenced only in writing.

7.04 Assignee/Transferee Obligations. Each permitted assignee or transferee of Lessee shall assume all obligations under the lease occurring after the date of the assignment, including any amended terms or conditions of the lease assignment. Notwithstanding any such assignment or transfer, Lessee shall remain liable for any obligations occurring prior to the date of the assignment. Lessee shall be jointly and severally liable with the assignee or transferee for all obligations under the lease occurring after the date of the assignment with respect to those obligations that exist as of the date of assignment, unless released in writing by State, which release shall not be unreasonably withheld. Upon State's satisfaction that Lessee has demonstrated to State that Assignee will be capable of fully performing the terms of the lease, State may release Lessee from all but those provisions that survive termination of the Lease pursuant to Subsection 9.07. Unless released in writing, Assignor's obligations shall continue in full force and effect until the Termination Date.

7.10 Name Change. If during the term of this Agreement Lessee changes its name, Lessee shall provide State with documentation legally supporting the name change within sixty (60) days of the effective date of the change. Lessee may contact State's Southeast Region office in Ellensburg (identified in Subsection 9.03) for a list of acceptable documentation.

SECTION 8 IMPROVEMENTS

8.01 Authorized Improvements. No improvement shall be placed by Lessee on the Premises without the prior written consent of State. Consent shall be granted through this lease or a written Letter of Authorization issued by State. Unauthorized improvements placed by Lessee shall either be removed by Lessee without damage to the Premises, removed by State at Lessee's expense, or become the property of State, at State's option.

All improvements currently on the Premises belong to State except those authorized improvements placed by Lessee which, if any, are listed in Exhibit 8A. Exhibit 8A may be supplemented with a Letter of Authorization issued by State, for the purpose of authorizing additional improvements to the Premises during the term of this lease. Letters of Authorization shall be cumulative and become addenda to Exhibit 8A when determining the sum of all authorized improvements.

8.03 Disposition of Authorized Improvements. Upon the expiration or earlier non-default termination of this lease, all improvements shall belong to State as provided in RCW 79.13.050 without compensation to Lessee, except for those authorized improvements set forth in Exhibit 8A and all subsequent Letters of Authorization, which are identified within those exhibits as remaining in Lessee's ownership after expiration of the lease; provided, however, all improvements set forth on Exhibit 8A and all subsequent Letters of Authorization and all crops shall be forfeited and become the property of State upon cancellation of this lease for default.

If Lessee has been authorized by this lease to retain ownership of improvements beyond the expiration of this lease and Lessee is not issued a new lease at expiration, State, at its sole discretion, will elect one of the following options: 1) State shall purchase such improvements; 2) State shall offer the premises and all improvements for lease or sale at public auction; or, 3) Lessee shall remove such improvements within, and in no case later than, sixty (60) days after expiration of the lease, provided that any improvements remaining thereafter shall belong to State.

If the value of improvements to remain the property of Lessee is not set forth in Exhibit 8A and agreement cannot be reached between State and Lessee on the value of such improvements in order for State to exercise option 1 or 2 in the preceding paragraph, a review board of appraisers consisting of three (3) individuals will be formed to determine the fair market value of the improvement as defined in RCW 79.13.160. These individuals must have expertise in the fields of agriculture germane to the permitted use of the Premises to serve on this review board. Per RCW 79.13.160, said review board shall be made up of one (1) member appointed by State, whose expenses shall be borne by State, one (1) member appointed by Lessee, whose expenses shall be borne by Lessee, and one (1) member to be appointed by the two aforementioned members, whose expenses shall be shared equally by Lessee and State. The majority decision of the review board shall determine the value of such improvements; and, the review board shall report its findings to State and Lessee.

The review board of appraisers shall determine the value of the improvements, by owner, and the value of the land; and, state the distinct values which, when added together, constitute the traditional fair market value of the assets.

Under option 2 above, State shall, upon determination of the value of the improvements, offer the Premises for lease or sale at public auction, with improvements. The value of such improvements shall be collected at the time of public auction and the money so collected shall be remitted to Lessee, less any damages or waste to the property or State-owned improvements committed by Lessee. Lessee shall execute a bill of sale or other instrument requested by State showing transfer of title to the improvements immediately upon State's request following the determination of value and prior to transfer of funds due Lessee for the improvements as set forth herein.

If the lease prepared as a result of the review board's determination is not bid at the public auction, then Lessee shall have one hundred eighty (180) days to remove the authorized improvements, after which time all improvements remaining on the Premises shall belong to State.

8.04 Removal of Improvements During Lease. During the term of this lease, authorized improvements owned by Lessee may be removed by Lessee upon the prior written approval of State. The Lessee shall be liable for any and all rents and any and all damage to the Premises or any improvement belonging to State resulting from such removal.

8.05 Surety Bond. At State's request, Lessee shall obtain a surety bond, cash deposit, certificate of deposit, savings account assignment, performance bond issued by a company acceptable to State, or letter of credit to guarantee payment of damages and performance of all provisions or obligations of Lessee under this lease, in an amount established by State, to assure completion of construction, development, rehabilitation, or removal of any improvements costing in excess of $2,500.

8.06 State's Repairs. The State shall not be required or obligated to make any repairs, alterations, maintenance, replacements, or repairs in, on, or about the Premises, or any part thereof, during the term of this lease.

8.07 Lessee's Repairs, Alteration, and Maintenance. With respect to Lessee's use of the Premises, Lessee shall, at its sole cost and expense, keep and maintain the Premises and all improvements thereon and all facilities appurtenant thereto (regardless of ownership) in good order and repair and safe condition for the safe conduct of any activities or enterprises conducted on the Premises pursuant to this lease, and keep and maintain the Premises, including all improvements in a clean, sanitary and attractive condition.

8.08 Repair and Replacement of State-Owned Irrigation Equipment. The Lessee shall maintain and repair State-owned improvements at Lessee's own expense. The State-owned irrigation improvements shall be maintained or repaired in a manner provided for in Subsections 2.04 and 2.05. The State may replace State-owned irrigation components, solely at its discretion, if failure is a result of the component exceeding its life expectancy or if replacement of State-

owned components is determined to be economically beneficial to State. The State shall only be responsible for those replacement costs not covered by Lessee's Boiler and Machinery insurance, as required in Subsection 5.05. Any agreement to repair or replace State-owned improvements must be set forth in writing as an amendment to this lease upon terms and conditions acceptable to State.

SECTION 9 DEFAULT AND REMEDIES

9.01 Nonwaiver. Waiver by State of strict performance of any provision of this lease shall not be a waiver of nor prejudice State's right to require strict performance of the same provision in the future or of any other provision. The acceptance of performance, rent, or any other sum owing, by State following a breach by Lessee of any provision of this lease shall not constitute a waiver of any right of State with respect to such breach and State shall be deemed to have waived any right hereunder only if State shall have expressly done so in writing.

9.02 Attorneys' Fees. If either party brings suit or submits to an alternative dispute process to interpret or enforce any provision of the agreement, the substantially prevailing party shall be entitled to reasonable attorneys' fees, costs, and expenses actually incurred in connection therewith, including those incurred on appeal, in addition to all other amounts provided by law, regardless of whether the matter proceeds to judgment or is resolved by the defaulting party curing the default.

9.03 Notices and Submittals. Any notice or submittal given under this lease shall be deemed as received when delivered by hand or five (5) days after deposit in the United States mail with first-class postage affixed, addressed as noted below. Changes of address shall immediately be given in accordance with this subsection. Any notice or submittal given under this lease shall be sent:

To State:

Where lease provisions require submittal to State office:

Department of Natural Resources
Product Sales and Leasing Division
PO Box 47014
Olympia, WA 98504-7061

Where lease provisions require submittal to State at its Region Office:

Department of Natural Resources
Southeast Region
713 Bowers Road
Ellensburg, WA 98926-9301

To Lessee:

At the address affixed with Lessee's signature or Lessee's last known address.

9.04 Landlord Liens. The State may file, and maintain during the term of this lease, landlord or crop liens in order to secure any payment or obligation under this lease.

9.05 Lessee Liens. The Lessee shall not suffer or permit any lien to be filed against State's interest in the Premises, improvements or crops growing thereon by reason of work, labor, services or materials performed thereon or supplied to, by or through Lessee. If any such lien is filed, Lessee shall immediately cause the same to be discharged of record, but in no case later than thirty (30) days after the date of filing or creation of such lien unless other arrangements are authorized in writing by State in advance. The Lessee shall indemnify State for any costs, damages or expenses (including attorneys' fees and courts' costs) incurred as a result of such liens or in obtaining their discharge whether such costs, damages or expenses were incurred prior or subsequent to lease termination or cancellation.

9.06 Default. If Lessee breaches or defaults on any undertaking, promise or performance called for herein, whether material or not, State may cancel this lease after Lessee has been given thirty (30) days notice of the breach or default and such breach or default has not been corrected within such time. Upon such cancellation, all improvements and crops on the Premises shall be forfeited and become the property of State subject only to any previously approved waiver of interest or security interest, and Lessee shall immediately deliver up possession of the Premises to State. The State may seek damages for any and all violations or defaults with or without canceling this lease. In the event State deems the breach or default to constitute a threat to safety, life, or property it may elect to intervene immediately, without notice, to remedy the breach or default and Lessee hereby agrees to repay State for all costs in remedying the breach or default upon demand, together with interest at the rate of one percent (1%) per month (or at such higher rate as may be authorized by statute after the commencement date hereof), until paid, commencing from the date of expenditure at the rate set forth in this lease. Alternatively, State may require Lessee to act immediately to remedy the breach or default, should State deem it a threat to safety, life, or property.

In the event of any default by Lessee, State shall have the right, with or without canceling the lease, to reenter the Premises and to remove all persons and property from the Premises and take whatever actions may be necessary or advisable to relet, protect or preserve the Premises. Any property so removed may be stored in a public warehouse or other suitable place or otherwise disposed of in State's discretion at the expense and for the account of Lessee. The State shall not be responsible for any damages or losses suffered by Lessee as a result of such reentry, removal, storage or other disposition, and no such action shall be construed as an election to terminate this lease unless a written notice of termination is given to Lessee.

Whether or not State elects to cancel this lease on account of any default by Lessee and subject to any non-disturbance and attornment agreements, if any, State shall have a right to terminate any and all subleases, licenses, concessions, or other arrangement for possession affecting the

Premises. Alternatively, State, at its sole discretion, may succeed to Lessee's interest in such sublease, license, concession, or arrangement, and Lessee shall have no further right to, or interest in the rent or other consideration receivable thereunder.

9.07 Survival. All obligations of Lessee to be performed prior to the expiration or earlier termination shall not cease upon the termination or expiration of this lease, and shall continue as obligations until fully performed. All clauses of this lease which require performance beyond the termination or expiration date, including but not limited to Section 5.05 and 6.10, shall survive the termination or expiration date of this lease. However, upon expiration or earlier termination of this lease, the rights of Lessee and of all persons, firms, corporations, and entities claiming under Lessee in and to the Premises and all improvements thereon, unless specified otherwise in this lease, shall cease.

9.08 State's Right to Cure Defaults. If Lessee fails to perform and is in default of any undertaking or promise contained herein, including those set forth in any plan of development, State shall have the option, but is not obligated, to make such performance after giving ten (10) days written notice to Lessee. The State's costs and expense to correct Lessee's failure to perform shall be reimbursed by Lessee and shall be immediately due and payable, together with interest at the rate of one percent (1%) per month (or at such higher rate as may be authorized by statute after the commencement date hereof), until paid, accruing from the date such cost or expense is incurred.

9.09 Remedies Cumulative. The specified remedies to which State may resort under the terms of this lease are cumulative and are not intended to be exclusive of any other remedies or means of redress to which State may lawfully be entitled in case of any breach or threatened breach by Lessee of any provision of this lease.

9.10 Force Majeure. The Lessee's failure to comply with or delayed compliance with any of the obligations under this lease shall be excused only if due to causes entirely beyond Lessee's control and without the fault or negligence of Lessee, including; riots, insurrections, martial law, civil commotion, war, fire, flood, earthquake, or other casualty or acts of God. The performance of Lessee's obligations under the Lease shall be excused only for the period of delay and the time period for performance shall be extended by the same number of days in the period of delay.

SECTION 10 GENERAL PROVISIONS

10.01 No Partnership. The State is not a partner nor a joint venturer with Lessee in connection with the activities conducted and business carried on under this lease, and State shall have no obligation with respect to Lessee's debts or other liabilities.

10.02 Lessee's Authority. Persons executing this lease on behalf of Lessee represent that they are authorized to do so and represent and warrant that this lease is a legal, valid, and binding obligation on behalf of Lessee, and is enforceable in accordance with its terms.

10.03 State's Authority. This lease is entered into by State pursuant to the authority granted by statute and the Constitution of State of Washington. The terms and conditions hereof are subject to such statutory and constitutional provisions as may be now in effect and such provisions which do not impair the contractual rights of Lessee under this lease which may lawfully be enacted subsequent to the date of this lease.

10.04 Preservation of Markers. Any legal land subdivision survey corners, reference points or monuments are to be preserved. If such are destroyed or disturbed, they shall be re-established by a licensed land surveyor in accordance with U.S. General Land Office standards at Lessee's expense. Corners and/or reference points or monuments that must necessarily be disturbed or destroyed in the process of carrying out the operations allowed by this lease must be adequately referenced and/or replaced in accordance with Chapter 58.09 RCW. Such references and replacements must be approved in writing by State prior to removal of said corners, reference points or monuments.

10.05 Condemnation. In the event that State is unable to successfully contest the authority of any entity seeking to condemn the Premises and if the entirety of the Premises are taken by proper exercise of the power of eminent domain, this lease shall terminate as of the date possession was taken by said public authority pursuant to such condemnation. If any part of the Premises is so taken and, in the opinion of either State or Lessee, it is not economically feasible to continue this lease, either party may terminate the lease. Such termination by either party shall be made by notice to the other party given not later than thirty (30) days after possession is so taken, the termination to be effective as of the later of thirty (30) days after said notice or the date possession is so taken. If part of the Premises is so taken and neither State nor Lessee elects to terminate this lease, or until termination is effective, as the case may be, the payment due under this lease shall be abated in the same proportion as the portion of the Premises so taken bears to the whole of the Premises. All damages awarded for the taking or damaging of all or any part of the Premises, or State-owned improvements thereon, shall belong to and become the property of State, and Lessee hereby disclaims and assigns to State any and all claims to such award, provided, however, that State will not claim any interest in any award for personal property or authorized improvements belonging to Lessee as set forth in Section 8 and State will not claim a share of any award made to Lessee for interruption of or damage to Lessee's business or for moving expenses. The State may share in the value of crops in accordance with the crop division and/or additional payment set forth in Section 3.

10.06 Interpretation and Numbering. This lease has been submitted to the scrutiny of all parties hereto and each party has been given the opportunity to consult with legal counsel. This Lease shall be given a fair and reasonable interpretation in accordance with the words hereof, without consideration or weight given to it being drafted by any party hereto or their counsel. Section and subsection numbers, headings, or titles are for convenience only and are not to be construed to limit or to extend the meaning of any part of this lease.

Section and subsection numbers may be omitted or out of sequence because of inclusion or exclusion of sections or subsections in this lease at the option of State. Cross references to sections or subsections that are not included in this lease should not be construed as material references.

10.07 Time of Essence. Time is expressly declared to be of the essence of this lease and each and every covenant of Lessee hereunder. In the event time for performance falls on a weekend or legal holiday designated by the United States or Washington State, performance shall be deemed to be timely rendered if so rendered on the next business day.

10.08 Lease Changes and Additions. Any changes or additions to this lease or the attached exhibits shall be made in writing, executed by the parties hereto, and neither State nor Lessee shall be bound by verbal or implied agreements.

10.09 Entire Agreement. This written lease or its successor or replacement contains the entire agreement of the parties hereto with respect to the matters covered hereby, and no other agreement, statement or promise made by any party hereto, or to any employee, officer or agent of any party hereto, which is not contained herein, shall be binding or valid.

10.10 Invalidity. If any term or provision of this lease or the application thereof to any person or circumstance shall to any extent prove to be invalid, unenforceable, void, or illegal, the remainder of this lease, or the application of such term or provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each remaining term and provision of this lease shall be valid and be enforced as written to the fullest extent permitted by law.

10.11 Discrimination. The Lessee shall not conduct or suffer any business upon the Premises which unlawfully discriminates against any person on the basis of race, color, creed, religion, sex, age, or physical or mental handicap.

10.12 Proprietary Information/Public Disclosure. Materials or information submitted as required in this Agreement shall become public records within the meaning of RCW Chapter 42.56.

Any submitted materials or information that Lessee claims as exempt from disclosure under the provisions of RCW 42.56.210 must be clearly designated. The page must be identified and the particular exemption from disclosure upon which Lessee is making the claim must be identified by the RCW citation number.

The State will consider a Lessee's request for exemption from disclosure; however, State will make an independent decision on the applicability of any claimed exemption consistent with applicable laws. The portion of a document claimed as exempt must qualify for exempt status as identified in RCW 42.56. Marking the entire submitted materials or information exempt from disclosure cannot be honored. If a public records request is made regarding materials that Lessee has requested as exempt, the affected Lessee will be given notice of the request and allowed ten

business days, or the time allowable by law, whichever is less, to seek a court injunction against the requested disclosure prior to State fulfilling the public records request.

10.13 Exhibits. Exhibits referenced herein, including those which may be added during the term of this lease, are incorporated herein by reference and are to be considered terms of this lease.

SUCCESSFUL BIDDER

Dated:_____, 20__.

_____
SIGNATORY_ALL_CAPS , "Title, if needed"

Address: "Lessee Street Address"
"Lessee City, State, Zip"

Phone: "Area Code/Phone Number"
Email: "Enter Email Address"

UBI #: "Enter UBI Number"

State signatory for 10 year lease:

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

Dated:_____, 20__.

_____
KYLE BLUM
Deputy Supervisor for State Uplands

State signatory for 25 year lease:

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

Dated:_____, 20__.

_____
HILARY FRANZ
Commissioner of Public Lands

Approved as to form
September 23, 2010
by Pamela Krueger,
Assistant Attorney General

"[Select one Notary; delete one not used]"

NOTARIAL CERTIFICATE
ACKNOWLEDGMENT IN AN INDIVIDUAL CAPACITY

STATE OF _____)
)ss
COUNTY OF _____)

On this day personally appeared before me _____, to me known to be the individual(s) described in and who executed the within and foregoing instrument, and acknowledged that _____ signed the same as _____ free and voluntary act and deed, for the uses and purposes therein mentioned.

DATED: _____
(Seal or Stamp)

_____
NOTARY PUBLIC in and for the
State of _____

My appointment expires _____

NOTARIAL CERTIFICATE
ACKNOWLEDGMENT IN A REPRESENTATIVE CAPACITY

STATE OF _____)
)ss
COUNTY OF _____)

I certify that I know or have satisfactory evidence that _____ **[name(s)] [is/are]** the person**(s)** who appeared before me, and said person**(s)** acknowledged that **[he/she/they]** signed this instrument, and on oath stated that **[he/she/they] [was/were]** authorized to execute this instrument, and acknowledged that **[he/she/they] [was/were]** the _____ **[office or title(s)]** of _____ **[business name of Lessee]** to be the free and voluntary act of such **[party/parties]** for the uses and purposes mentioned in this instrument.

DATED: _____
(Seal or Stamp)

_____
NOTARY PUBLIC in and for the
State of _____

My appointment expires _____

To be filled out depending on lease term option selected:
10 year term lease signed by deputy supervisor or
25 year lease signed by commissioner.

NOTARIAL CERTIFICATE
ACKNOWLEDGMENT IN A REPRESENTATIVE CAPACITY

STATE OF WASHINGTON)
)ss
COUNTY OF THURSTON)

On this _____day of _____, 20____, personally appeared before me Choose an item., to me known to be the Choose an item. of the Department of Natural Resources, State of Washington, who executed the within and foregoing instrument on behalf of the State of Washington, and acknowledged said instrument to be the free and voluntary act and deed of the State of Washington for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument and that the seal affixed is the official seal of the Commissioner of Public Lands for the State of Washington.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year first above written.

_____
NOTARY PUBLIC in and for the
State of _____
My appointment expires _____

(Seal or Stamp)

EXHIBIT 1A
Legal Description of Premises, and Encumbrances, if any

NW¼ Section 16, Township 14 North, Range 25 East, W. M., Grant County, Washington, containing 160 acres, more or less, according to government survey thereof.

Subject to easement for right of way for buried cable heretofore granted under Application No. 50-039998, for an indefinite term.

Subject to the rights of the holder of Department of Natural Resources Water Rights File No. 78-000160, filed on March 9, 1977.

Subject to the restrictions of the Reclamation Reform Act of 1982, as filed under Water Rights File No. 78-000237.

Subject to assessments imposed by Grant County Noxious Weed Board, South Columbia Basin Irrigation District, or any entity properly authorized to assess property.

EXHIBIT 6A
RESOURCE MANAGEMENT PLAN

Lease No(s). 12-A79766

OBJECTIVE

This Resource Management Plan (RMP) describes the management objectives and practices agreed upon by State and Lessee to manage agricultural and grazing production on Washington's trust lands. Adherence to this RMP is mandatory. Failure to comply may result in default under Subsection 9.06 of the associated lease or leases. If the management requirements of this RMP cannot be followed due to climatic variations or unforeseen events, Lessee shall consult with State unit manager regarding any proposed changes to the RMP.

CROPLAND MANAGEMENT

Composite Erosion Rate: The Lessee shall maintain or improve the soil profile by applying farming practices that reduce sheet, rill and wind erosion. The composite erosion rate for the crop rotation shall not exceed the soil loss tolerance "T": the amount of topsoil that can be replaced naturally in a year on the soil mapping unit found on the leased premises.

Soil Additions and Pesticides: Organic and inorganic substances shall be applied to meet plant requirements. Application methods utilized shall aid in the prevention of substances moving into water bodies, leaching into ground water, or building excessive residual levels in the soil profile. This will be accomplished through following all federal, state and local laws, and as prescribed by label.

The Lessee shall have and follow an Integrated Pest Management (IPM) plan. This means utilizing a coordinated decision-making and action process that considers all pest management methods and strategies, and applies them in an environmentally and economically sound manner to meet pest management objectives. The elements of integrated pest management include:

1. Preventing pest problems;

2. Monitoring for the presence of pests and pest damage;

3. Establishing the density of the pest population (which may be zero) that can be tolerated;

4. Treating pest problems to reduce their populations below the tolerable threshold, using strategies that may include biological, cultural, mechanical, and chemical control methods, and that consider human health, ecological impact, feasibility and

cost-effectiveness; and

5. Evaluating the effects and efficacy of pest treatments.

Below three clauses are for use if irrigated ag crops are proposed by bidder.
Conservation Cover: The Lessee shall maintain 32 acres of perennial vegetative cover in the circle corners to reduce soil erosion and sedimentation, improve water quality, and create or enhance wildlife habitat.

Cover Crops: Within 15 days following the harvest of any low residue crops on the lease premises, the Lessee shall plant and irrigate, at their sole expense, a cover crop of wheat or other cereal grain with a minimum seeding of 50 pounds per acre or the Lessee may fall seed alfalfa. Low residue crops are those that will not have enough residue remaining to meet or exceed the over-winter levels as required in the crop residue section below.

When taking out the cover crop in the spring, the Lessee must delay tillage until 5 days or less before crops are planted during February and March, and 10 days or less before crops are planted during April or later.

Crop Residue (irrigated): The Lessee shall maintain the following crop residue levels during the critical erosion period (November - May) to conserve soil moisture, increase soil infiltration, reduce soil loss, and improve soil tilth. Residue will be measured using the line and point method.

Minimum lbs/acre	
1,000	of small grain residue.
1,200	of corn residue.
900	of Sudan residue.

Chemigation/Fertigation: If chemigation or fertigation is utilized, Lessee will meet all of the requirements under Title 16-228 of the Washington Administrative Code.

Fertilizer Management: The Lessee shall use soil and petiole sampling and testing, to determine amounts and timing of nutrient applications required to meet the needs of the plants to be grown. Methods of application shall be used that will ensure optimum uptake by the plants, while insuring that nutrients will not be transported into any water bodies.

Irrigation Management: The Lessee shall use science-based irrigation scheduling practices. These practices shall match the irrigation water application to the water requirements of each crop being grown to promote efficiency, improve crop yield, and minimize water quality impairment. Irrigation methods shall be used to ensure proper amounts of water are delivered to the plants in a timely fashion.

Mass Soil Movement and Gully Erosion: The Lessee shall apply farming practices that limit the potential for mass soil movement and gully erosion.

Pesticide Management: The Lessee shall utilize Integrated Pest Management (IPM) in conjunction with standard industry methods for controlling pests. Methods of application shall be utilized that will ensure optimum protection of the plants, while insuring that pesticides will not be transported off site or have non-target impacts.

System Monitoring: The Lessee shall monitor existing irrigation systems to ensure that they are operating near optimum efficiency.

Record Keeping: The Lessee shall maintain a record of all farming operations, including the dates of each tillage, fertilizer, pesticide, and seeding operation for each State field. The information will cover all farming operations that followed harvest of the previous crop and will be submitted to State upon request.

WEED MANAGEMENT

Noxious Weed Control: The Lessee shall prevent noxious weed infestations by applying management practices which discourage their establishment or spread. The Lessee shall detect and control the invasion of new noxious weeds. Noxious weeds will be controlled using appropriate mechanical, biological and chemical treatments that meet the requirements of state and federal law.

The Lessee shall use Integrated Pest Management (IPM) to control weeds. This means using a coordinated decision-making and action process that considers all weed management methods and strategies, and applies them in an environmentally and economically sound manner to meet weed management objectives. The elements of integrated pest management for weeds include:

1. Preventing weed problems;

2. Monitoring for the presence of weed species;

3. Establishing the density of the weed population (which may be zero) that can be tolerated;

4. Treating weed problems to reduce their populations below the tolerable threshold, using strategies that may include biological, cultural, mechanical, and chemical control methods, and that consider human health, ecological impact, feasibility and cost-effectiveness; and

5. Evaluating the effects and efficacy of weed control treatments.

EXHIBIT 8A
Authorized Improvements

State-owned improvements include, but are not limited to:

Description	**Location**
Underground Electrical System	NW ¼
Underground Mainline	NW ¼
Irrigation Pond	NW ¼

Lessee is hereby authorized to place the following improvements on the premises:

Lessee will be required to furnish the center pivot and pump and or any other equipment necessary to operate this lease. Below listed improvements are owned by current lessees. This list will be amended to show improvements purchased or installed by successful bidder.

Existing Lessee Owned Improvements:

Description	**Location**
One (1) Center Pivot Circle	NW ¼
All aboveground irrigation and electrical equipment	NW ¼

For orchard or vineyard, lessee will be authorized to furnish trees and all other improvements necessary for proposed development.

Description	**Location**