

RECEIVED
OCT 27 2011
DEPARTMENT OF
WATER RESOURCES

STATE OF IDAHO
WATER RESOURCE BOARD

Water Supply Bank No. _____
(For Department Use Only)

APPLICATION TO RENT WATER
FROM THE WATER SUPPLY BANK

Name of Renter Mitchell Sorensen Phone (208) 221-3293

Mailing address 3871 W. 2500 N., Moore, ID 83213 Email _____

A. DESCRIPTION OF WATER SOUGHT FOR RENT

1. Maximum Flow Rate (cfs) 8.07 Maximum Volume (ac-ft) _____ Nature of Use Irrigation Period of Use 04/01 to 11/01

Total: 8.07

2. Source of water Big Lost River tributary to _____ Sinks _____

3. Point(s) of Diversion:

Twp	Rge	Sec	Lot	¼	¼	¼	County
04N	26E	26		NW	NW	NW	Butte
05N	26E	4		NW	SE	SE	Butte

4. Lands to be irrigated or place of use:

Twp	Rge	Sec	NE ¼				NW ¼				SW ¼				SE ¼				Totals
			NE	NW	SW	SE	NE	NW	SW	SE	NE	NW	SW	SE	NE	NW	SW	SE	
03N	25E	11	34.3	40	34.3	32.5	40	33.8	32.9	32.2									280
03N	26E	9													2.6		8.6	38.2	49.4
03N	26E	10									5.7	15.8	39.6	39.5		7.3	34.7		142.6

If the use is for irrigation, show total number of acres proposed through rental. Total Acres 472

B. OWNERSHIP

1. Do you own the land at the proposed point of diversion? Yes ☐ No ☒
If no, list owner, contact information, and provide documentation of the authority to use the proposed point of diversion. The point of diversion is owned by the Big Lost River Irrigation District which enters into transport agreements to carry non-BLRID water rights
2. Do you own the land at the proposed place of use? Yes ☐ No ☒
If no, list owner, contact information, and provide documentation of the authority to use the proposed place of use. Proposed place of use is owned by Todd Perkes and Leon Folkman. Applicant is currently leasing these properties. A copy of these leases is attached.

C. MAP

Attach a map identifying the proposed point(s) of diversion, place(s) of use, and water diversion and distribution system details as described by this application in section A. Include legal description labels.

D. GENERAL INFORMATION

1. Please provide a description of the proposed diversion system. Water will be diverted as needed and available at either the Moore Diversion or the Arco Diversion on the Big Lost River. From the Moore Diversion, water will flow through the Moore Canal to the Timber Dome Canal to the Applicant's pump station. From the Arco Diversion, water will flow through the Munsey Canal to Leon Folkman's pump station.
2. Describe any other water rights diverted through the same point(s) of diversion or used for the same purpose(s) as described above. Since the points of diversion are owned by the Big Lost River Irrigation District, many water rights are diverted there.
3. Will the proposed place of use receive water from any other source? Yes ☒ No ☐
If yes, describe. Water Right Nos. 34-2401A, 34-4015, and 34-10163 are also used on the proposed place of use owned by Leon Folkman. Water Right No. 37.7052 will also be used on the proposed place of use owned by Todd Perkes.
4. If the proposed use is not for irrigation, please provide a detailed description of the proposed use and how you determined the amount of water required. Attach additional sheets if needed. _____
5. Are there any other applications pending before the Department, such as an application for permit or transfer, for the same use(s) proposed by this rental? Yes ☐ No ☒
If yes, describe. _____
6. Was this rental application submitted in response to a Notice of Violation or a pending Notice of Violation? Yes ☐ No ☒
If yes, describe. _____

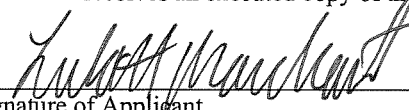
E. RENTAL TERM

1. Do you wish to rent water from the Board's bank for more than one (1) year? Yes ☒ No ☐
If yes, please specify the number of years desired through proposed rental. 2

I hereby assert that the information contained in this application is true to the best of my knowledge. I understand that any willful misrepresentations made in this application may result in rejection of the application or cancellation of an approval.

If this application is approved, the applicant agrees to the following:

1. The use of water under this agreement shall be subject to the provisions of Section 42-1766, Idaho Code.
2. Renter shall comply with all applicable state and federal laws while using water under this agreement.
3. Renter shall hold the Board, the Director, and the state of Idaho harmless from all liability on account of negligent acts of the renter.
4. The Director may terminate diversion of water if the Director determines there is not a sufficient water supply for the priority of the right or portion thereof being rented.
5. Failure of the renter to comply with the conditions of this agreement is cause for the Director to rescind approval of the rental agreement.
6. Renter is not authorized to use water proposed by this application until the rental fees are paid in full and the renter receives an executed copy of the agreement signed by the Director.


Signature of Applicant

Attorney
Printed Name and Title*

10/25/11
Date

Signature of Applicant

Printed Name and Title*

Date

*Please provide title of signatory if signing on behalf of a company or organization or with power of attorney

Mail to: Idaho Department of Water Resources, P.O. Box 83720, Boise, ID 83720-0098



Prepared by:
Luke H. Marchant

CASH FARM LEASE AND OPTION TO PURCHASE

This Agreement is entered into this 2nd day of May, 2011, by and between M. Todd Perkes and Norma Perkes, husband and wife of 2790 North 3325 West, Moore, Idaho 83255, hereinafter referred to as "LESSOR", and Mitchell D. Sorensen and Elaine R. Sorensen, husband and wife of 3871 West 2500 North, Moore, Idaho 83255, hereinafter referred to as "LESSEE".

For good and valuable consideration, LESSOR agrees to lease to LESSEE, and LESSEE agrees to lease from LESSOR the following described real property located in Butte County, Idaho, hereinafter referred to as the "premises":

The N1/2 Section 11, T. 3 N., 25 E.B.M., together with the stock water rights and pumping facilities, and one hundred (100%) interest in that portion of a pond, pumping station, and buried mainline and electrical wires located within the N 1/2 section, and existing fences and roads including the right of ingress and egress on the roadway located along the east side of the SE1/4 Section 11, T. 3 N., 25 E.B.M..

1. Term of Lease and Rental.

The term of this Lease shall be for a period of 5 years, commencing in 2011 and ending on December 31, 2015. The annual rental price shall be Sixteen Thousand Dollars (\$16,000.00) for a total of approximately 320 acres, payable in the amount of Eight Thousand Dollars (\$8,000.00) on or before May 1 of each year, and Eight Thousand Dollars (\$8,000.00) on or before October 1 of each year. LESSEE shall be entitled to 100% of all government related payments or benefits including but not limited to the assignment of Eighty (80) acres of wheat base and Eighty (80) acres of barley base Direct-Counter-Cyclical Payments, Loan Deficiency Payments, Emergency or NAP Payments or any other subsidy benefits related to the operation of the premises by the LESSEE during the period of this Lease. Lessor shall continue to accept such payments and benefits in Lessor's name and make all necessary reports relevant to government programs. Such government payments and benefits received by Lessor shall subsequently be offset or deducted from the above described October 1 payment due from Lessee.

2. Option to Purchase.

Within 180 days from the expiration of this Lease, the LESSEE shall have the right to exercise the Option to Purchase this property with all improvements and access easements described above. LESSOR and LESSEE agree the terms of the Buy-Sale Agreement will include the purchase price of Six Hundred Dollars (\$600.00) per acre for 320 acres totaling One Hundred Ninety Two Thousand Dollars (\$192,000.00) payable in fifteen (15) equal annual payments with the unpaid balance accrual of nine (9%) annual interest. In the event LESSEE elects to prepay the unpaid balance a thirty (30%) penalty shall be applied to the unpaid principal balance.

3. Assignment or Sublease.

LESSEE shall have the right to sublet this property but shall not have the right to assign or sale the purchase option to any person or party other than a direct family member.

4. Improvements.

LESSOR and LESSEE agree the premise is currently non-irrigated pasture. The parties also agree that LESSEE may explore and acquire water rights, irrigation equipment, financing, and other assets and facilities necessary for the irrigation of the premise at LESSEE expense and risk. LESSOR agrees to cooperate and allow LESSEE to pursue such endeavors including the granting of security agreements that may be necessary to construct and install irrigation equipment on the premise.

In the event LESSEE does not exercise the purchase option referenced in this agreement or if the agreement is terminated, LESSOR may elect to purchase from LESSEE all such improvements at fair market values. If LESSOR elects not to purchase such improvements or if fair market values can not be agreed to LESSEE may remove all improvement previously made by LESSEE.

5. Expenses.

LESSOR agrees to pay all real estate taxes. LESSEE shall pay all costs associated with dry pasture grazing and the eventual irrigation of crops if any are grown. If this Lease terminates or expires without LESSEE exercising the purchase option as provided, LESSEE shall plant and re-establish dry pasture vegetation similar to what currently exists.

6. Relationship of Parties

The relationship of the parties hereto is strictly that of landlord and tenant and this Lease shall not be construed as a joint venture or partnership. LESSEE is not and shall not be deemed to be an agent or representative of LESSOR.

7. Applicable Law.

This Lease shall be construed and enforced in accordance with the laws of the State of Idaho.

Dated this 2nd day of May, 2011

LESSOR

M. Todd Perkes
M. Todd Perkes

Norma R. Perkes
Norma Perkes

LESSEE

Mitchell D. Sorensen
Mitchell D. Sorensen

Elaine R. Sorensen
Elaine R. Sorensen

AGRICULTURAL LEASE
(Crop Share)

DATE: To be effective as of January 1, 2008

1. PARTIES:

This Lease Agreement is being entered into by and between **Leon Folkman and Marlene Folkman**, husband and wife, 3004 W. 2200 N. Arco, Idaho 83213 (hereinafter referred to as "Lessor"), and Mitchell D. Sorensen and Elaine R. Sorensen, 3871 W. 2500 N., Moore, Idaho 83255, (hereinafter referred to as "Lessee").

2. PROPERTY:

Upon and subject to the terms and conditions of this agreement (hereafter referred to as "Lease Agreement"), Lessor hereby leases to Lessee and Lessee hereby leases from Lessor that certain real estate located in the County of Butte, State of Idaho, together with all irrigation equipment and other improvements located thereon, as more particularly described on Exhibit A attached hereto and made a part hereof, (hereinafter referred to as the "Property").

3. TERM and EFFECTIVE DATE:

The Property is hereby leased for a term beginning January 1, 2008, upon which date this lease shall become effective, and continuing until midnight, December 31, 2008. Provided that Lessee is not in default of this Lease Agreement, Lessee shall have the right to renew this Lease Agreement for an additional five (5) period(s) of one (1) year each, upon the same terms and conditions of this Lease Agreement, by giving written notice to do so to Lessor thirty (30) days, or more, prior to the termination hereof. Lessee shall during the lease term be entitled to possession of the Property, subject to compliance with the terms and conditions of this Lease Agreement and payment of the rent set forth in paragraph 4 hereof.

4. RENT:

In consideration of the leasing, occupancy and use of the Property, Lessee shall pay to Lessor as rent for the use of said Property one-third (1/3) of all proceeds from crops grown on the premises ("Crop Share Rent"). To the extent that the crop is not divided at harvest and Lessor's share delivered to Lessor at harvest, Crop Share Rent shall be paid upon sale of the crop or any portion of the crop.

5. DELIVERY OF CROPS:

- (a) Grain Crops. It is agreed that any grain crops produced thereon shall not be divided at harvest but shall be sold in such lots as Lessee shall reasonably determine.
- (b) Potato Crops. It is agreed that any potato crop produced thereon shall not be divided at harvest but shall be sold in a such lots as Lessee shall reasonably determine. It is understood and agreed that in the event Lessee determines to raise potatoes by subleasing some or all of the Property, that such sublease shall be subject to the provisions of Paragraph 19 hereof.
- (c) Hay. Hay harvested on the Property shall be stored on the Property until sold. The hay shall be sold in such lots or portions as Lessee shall reasonably determine.

6. TITLE, OWNERSHIP and STORAGE OF CROPS.

Each party shall have title and ownership exclusive of the other party, to his share of each crop. Lessee shall arrange for any necessary storage of crops. Any such storage of crops shall be in such manner so that the stored crops can be identified as to type, quantity and quality prior to sale.

7. MARKETING and SALE OF CROPS.

For any crops that are not divided at harvest, Lessee shall be responsible for the marketing of the crops. Lessor agrees that Lessee shall have authority to determine the time, place, price, amount of crop for sale of any crops. Lessor has previously contracted for sale of a portion of the malt barley grown on the property during 2008. Lessee takes the Property subject to such contract, and the parties agree that Lessee shall raise sufficient barley to satisfy the malt barley contract. Lessee agrees to use Lessee's barley if necessary to satisfy the malt barley contract, but Lessee shall be entitled to Lessee's share of the proceeds from such malt barley owned by Lessee sold pursuant to such contract.

8. EXPENSES.

Lessee shall furnish and pay any and all expenses or costs incurred in such farming, including but not limited to electricity for the irrigation system and otherwise, all

machinery and equipment, supply all work and labor, provide all supplies, seed, sprays, chemicals and materials; however, Lessor shall pay for the cost of any weed killers necessary to control weeds on the premises excluding normal cultivation practices. The parties shall share the costs of storage and transportation of crops following harvest according to the ownership of the crop. All crops shall be insured under a policy of insurance purchased by Lessor in an amount and with terms and conditions sufficient to protect the full fair market value of the crops until sold. Lessor and Lessee shall share the expense of the cost of such insurance in accordance with their ownership interest in the crops.

9. REAL PROPERTY TAXES.

Lessor shall pay all real property taxes levied thereon during the term hereof.

10. RELATIONSHIP OF PARTIES.

The relationship of the parties hereto is strictly that of Landlord and Tenant and that this Lease shall not be construed as a joint venture or partnership. Lessee is not and shall not be deemed to be an agent or representative of Lessor.

11. REPORTS and RECORDS.

As a minimum, Lessee shall keep the following records with respect to Lessee's farming operation under the terms of this Lease.

- a. Acreage planted to each crop;
- b. Types and quantities of fertilizers and chemicals applied to each irrigation circle;
- c. Yields from the harvest of each crop;
- d. Quantities of crops stored and location of storage;
- e. Sales of crops;
- f. Accounts receivable from sales of crops;
- g. Collections of accounts receivable.

12. IRRIGATION EQUIPMENT:

The Property is currently irrigated with irrigation equipment located on the Property (the "Irrigation Equipment"). Lessee shall at its own sole cost and expense preserve and protect the Irrigation Equipment and any and all appurtenances thereto situated on the Property and shall lubricate, service and care for the same. Lessee shall be responsible for any and all repairs or replacements to Irrigation Equipment caused by the negligence or carelessness of Lessee or any of Lessee's agents or employees. Lessor shall reimburse Lessee for the reasonable costs of repairs to the Irrigation Equipment in excess of \$500 as long as such repairs are not caused by the fault or neglect of Lessee or Lessee's agents or employees. Irrigation Equipment not in use shall be stored in a safe and secure location. Notwithstanding anything contained herein to the contrary, neither Lessor nor Lessee shall be responsible to pay for or reimburse each other for any repairs which are paid for by Insurance Coverage obtained by either of the parties.

13. WATER and POWER:

Lessor agrees that all water associated with the Property shall be made available to Lessee for the irrigation of the Property. Lessor shall retain all rights to vote and control any water stock owned by Lessor. Lessor shall be responsible to pay any levies, assessments, or other water charges pertaining to water associated with and/or appurtenant to or used in connection with the Property including but not limited to water charges of Big Lost River Irrigation District and Water District #34.

Lessor and Lessee agree that they will reasonably cooperate to facilitate the most economical use of reasonably available water on the Property or other property under the control of Lessee.

Lessor agrees that Lessee shall, for the term of this Lease Agreement, have the right to change of the point of diversion of water rights appurtenant to the Property. Lessor shall cooperate to facilitate a change of point of diversion. Following termination of this Lease Agreement, Lessor shall have the right, at Lessor's sole cost and expense to return the point of diversion of any such transferred water right.

Lessor agrees that Lessee shall have the right to renegotiate power agreements with Lost River Electric Co-op and agrees to cooperate in the modification or termination of existing power agreements affecting the Property. Lessor hereby appoints Lessee as its attorney-in-fact and agent in its place and stead to do any act reasonably necessary to effectuate the terms of this provision.

14. CONDITION OF THE PROPERTY:

Lessee has inspected the Property and is fully familiar with the physical condition thereof, has received the same in good order and condition, and agrees that the Property complies in all respects to the requirements of this Lease Agreement. Lessee accepts the Property in its present condition, "AS IS." Lessor makes no representation or warranty with respect to the condition of the Property or its fitness or availability for any particular use, and Lessor shall not be liable for any latent or patent defect therein. Lessee will not do, or permit any act or thing to be done, which is contrary to any legal or insurance requirements, which might impair the value or usefulness of the Property or any part thereof, or which constitutes a public or private nuisance or waste. Lessee acknowledges that there are no representations, covenants or agreements between the parties hereto with reference to the Property except as herein specifically set forth.

15. PAYMENT OF TAXES AND UTILITIES:

Real and personal property taxes and any other ad valorem charge on the Property shall be paid by Lessor prior to becoming due and delinquent. Lessee shall pay all utilities, including but not limited to all electrical charges, rendered to and used in connection with the Property arising during the term of this Lease Agreement, except any such utility charges associated with storage of the crop shall be divided according to the parties ownership in the crop.

16. GOVERNMENT PROGRAM PAYMENTS:

In consideration of the Crop Share Rent being paid hereunder, Lessee shall be entitled to retain 50% (and Lessor shall receive the remainder) of all government program payments relative to crops grown on the premises, except the CSP Program payments. Lessor shall receive and be entitled to retain 100% of the CSP Program payments. Lessee shall operate the property as required in order to comply with applicable government programs, except the CSP Program. Lessor shall be obligated to comply with and perform all requirements of the CSP Program. As used herein, CSP Program shall refer to the Conservation Security Program of the United States Department of Agriculture, Natural Resources Conservation Service as from time to time amended.

17. CROP RESIDUE:

In consideration of the Crop Share Rent being paid hereunder, Lessee shall be entitled to all crop residue, including but not limited to straw from crops grown on the premises.

18. REPAIRS TO THE PROPERTY:

Subject to the provisions of Paragraph 12 herein, Lessee, at Lessee's expense, shall repair, maintain and keep the Property and all improvements thereon in good condition. No substitution, alteration of, or addition to the Property or to the improvements located thereon may be made without the express, prior and written consent of Lessor.

19. ASSIGNMENT or SUBLEASE:

Lessee shall not be entitled to sublet the Property or any part thereof, assign this Lease Agreement in whole or in part, or encumber this Lease Agreement without Lessor's prior consent. In the event Lessee seeks to assign or sublet upon the same terms, Lessor shall not unreasonably withhold consent of assignment or sublease to a financially responsible party. In the event Lessee seeks to assign or sublet under terms which materially differ from the terms hereof, then Lessor may withhold consent for any reason or for no reason. In the event of any such assignment or sublease Lessee shall remain responsible for performance of the terms and conditions of this Lease Agreement which are to be performed by Lessee.

20. OPERATIONS and GOOD FARMING and HUSBANDRY PRACTICES:

Lessee shall operate and use the Property for the sole purpose of conducting a first-class agricultural operation under the terms and conditions provided in this Lease Agreement. Lessee shall, in due and proper season, perform all work required and essential in a good and workmanlike manner such as will be conducive to the very best results to be had and obtained by a first-class system of husbandry and farming. Lessee shall use and furnish, at its sole expense, all first-class equipment, tools, seeds, fertilizer and other chemicals, and labor proper or necessary to a first-class husbandry and farming operation on the Property.

21. INSPECTION:

Lessor, or its authorized representative, may enter the Property at any time for the purpose of inspecting same.

22. LEGAL REQUIREMENTS:

Lessee, at Lessee's expense, will promptly and diligently –

- (a) comply with all legal requirements pertaining to the operation of the Property and the farming thereof;
- (b) procure, maintain and comply with all permits, licenses, franchises and other authorizations required for the use of the Property contemplated hereby; and
- (c) comply strictly and in all respects with any and all current and future federal, state and local environmental laws, statutes, rules, regulations and ordinances, as same shall be amended and modified from time to time, including but not limited to, "common law," the Comprehensive Environmental Response Compensation & Liability Act (CERCLA), the Resource Conservation and Recovery Act (RCRA), the Toxic Substances Control Act (TSCA), and all rules and regulations of the U. S. Department of Agriculture, the Environmental protection Agency and the Food and Drug Administration, as same relate to produce, pesticides, "hazardous substances," "hazardous waste," "toxic substances," pollutants and contaminants regulated or controlled thereby.

In addition to any of the previously defined laws or agencies, the term "legal requirements" shall include all other laws, statutes, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations, directions, and requirements of any and all governments, departments, commissions, boards, courts, authorities, agencies, officials, and officers which now, or at any time hereafter, may be applicable to the operation of the Property and the farming thereof.

23. CONDEMNATION:

In the event of a taking by condemnation, eminent domain or other legal proceedings of the entire Property, this Lease Agreement shall terminate as of the date of such taking; and the award shall be apportioned between the parties according to their interest in the Property on the date of taking. A partial taking which makes it

economically unfeasible to continue a farming operation on the remaining acreage shall be considered a total taking and covered by the preceding sentence. In the event of a partial taking leaving a unit of economical farming size, this Lease Agreement shall continue in full force and effect on the remaining acreage, with proportionate reduction in rent and with any condemnation award to be paid to Lessor.

24. INDEMNIFICATION and INSURANCE:

Lessee will protect, indemnify and save harmless the Lessor from and against all liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses (including, without limitation, attorney's fees and expenses) imposed upon, incurred by, or asserted against Lessor or the Property by reason of the operations conducted by Lessee on the Property or as a result of any failure on the part of Lessee to perform or comply with any of the terms of this Lease Agreement. The obligations of Lessee under this section shall survive any termination of this Lease Agreement.

Lessee agrees, during the terms of this Lease Agreement or any renewals thereof, to carry general liability insurance for personal injury and property damage liability. Such insurance policy shall name Lessor as an insured and be with an insurance carrier acceptable to Lessor. Such insurance shall provide for property damage liability coverage of at least \$100,000.00 and personal injury coverage of at least \$1,000,000.00 for each occurrence and in the aggregate. Lessee shall furnish Lessor with a certificate indicating that such insurance is in force and that the premiums therefor have been paid.

Lessor shall also keep the Irrigation Equipment insured against all risks of loss or damage by fire, lightning, vandalism and windstorm for not less than the value of the Irrigation Equipment. All such insurance shall insure both Lessor and Lessee. Lessor may effect such coverage under its blanket policies. All such policies shall be written by companies reasonably satisfactory to Lessee and certificates showing such coverages to be in effect shall be furnished to Lessee upon request. Lessee shall reimburse Lessor the premium paid for such insurance. To the extent coverage is under a blanket policy, Lessee shall reimburse Lessor the portion of the premium attributable only to the Irrigation Equipment covered by this Lease Agreement.

25. WASTE and PROTECTION OF THE PROPERTY:

Lessee shall not commit or permit waste or strip, shall supervise the Property at all times, and shall exercise every reasonable effort to prevent theft, vandalism and other damage.

26. NO CLAIMS AGAINST LESSOR, ETC.:

Nothing contained in this agreement shall constitute any consent or request by Lessor, express or implied, for the performance of any labor or services; the furnishing of any materials or other property in respect of the Property or any part thereof; nor as giving Lessee any right, power or authority to contract for or permit the performance of any labor or services or the furnishing of any materials or other property in such fashion as would permit the making of any claim against Lessor, it being understood and agreed that the relationship between the parties hereunder shall consist solely as that of landlord and tenant; and in no event and under no circumstances shall such relationship be considered or construed as any agency, partnership, joint venture, or any such similar relationship.

27. DEFAULT and REENTRY:

Time and strict and faithful performance of each and every one of the terms and conditions of this Lease Agreement are expressly made the essence of this agreement. If Lessee shall default in the payment of the Crop Share Rent, or shall fail to perform or shall violate any of the terms or provisions of this Lease Agreement, and such default shall continue for thirty (30) days after notice in writing is given to Lessee by Lessor, or Lessor's authorized representative, to comply with the relevant terms and provisions, then, Lessor may declare said term and the Lease Agreement forfeited and ended, and re-enter the Property so as to repossess and enjoy the Property as in Lessor's former estate, and Lessor may relet the same for the remainder of the term hereof. Lessor may take possession of all growing crops and continue their cultivation and harvest, and shall be entitled to all proceeds from said crops, provided, however, that Lessor shall reimburse Lessee's actual expenses of planting, growing, maturing, harvesting, transporting, or storing said crops. Nothing herein shall give Lessor the right to take harvested crops from a prior year for default in the current year.

28. SURVIVAL OF LESSEE'S OBLIGATIONS; DAMAGES:

Expiration or termination of this Lease Agreement or the term thereof pursuant to paragraph 27 or by operation of law, or otherwise, and repossession of the Property or any part thereof pursuant to paragraph 27, or otherwise, shall relieve Lessee of its liabilities and obligations hereunder.

29. ENTRY BY LESSOR:

Lessor and its authorized representatives shall have the right to enter the Property at any time for the purpose of inspecting the same or for the purpose of doing any work under paragraph 30 and to take such action thereon as may be necessary or appropriate for any such purpose (but nothing contained in this Lease Agreement shall create or imply any duty on the part of Lessor to make any such inspection or do any such work). No such entry shall constitute an eviction of Lessee nor termination of this Lease Agreement.

30. PERFORMANCE ON BEHALF OF LESSEE:

In the event that Lessee shall fail to make any payment or perform any act required hereunder to be made or performed by Lessee, then Lessor may, but shall be under no obligation to, after such notice to Lessee as may be reasonable under the circumstances, make such payment or perform such act with the same effect as if made or performed by Lessee. Entry by Lessor upon the Property for such purpose shall not waive or release Lessee from any obligation or default hereunder. Lessee shall reimburse (with twelve percent (12%) interest) Lessor for all sums so paid by Lessor and all costs and expenses incurred by Lessor in connection with the performance of any such act.

31. QUIET ENJOYMENT:

Lessor covenants with Lessee that upon Lessee's entry into the Property and Lessee's performance of each of the terms and conditions of this Lease Agreement, Lessee shall have full freedom and use of the Property in accordance with the terms hereof.

32. REMEDIES:

Each right, power and remedy of Lessor provided in this Lease Agreement, or now or hereafter existing at law or in equity or by statute or otherwise, shall be cumulative and concurrent and shall be in addition to every other right, power or remedy provided for in this Lease Agreement, or now or hereafter existing at law or in equity or by statute; and the exercise or beginning of the exercise by Lessor of any one or more of the rights, powers, or remedies provided for in this Lease Agreement or now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by Lessor of any or all such other rights, powers or remedies.

33. WAIVER:

No failure by Lessor or Lessee to insist upon the strict performance of any term hereof or to exercise any right, power or remedy consequent upon a default thereof, and no submission by Lessee or acceptance by Lessor of full or partial rent during the continuance of any such default, shall constitute a waiver of any such default or any such term. No waiver or any default shall affect or alter this Lease Agreement which shall continue in full force and effect or affect the respective rights of Lessor or Lessee with respect to any other then-existing or subsequent default.

34. NOTICES:

Any notices provided for herein shall be in writing and sent by registered or certified mail to the Lessor, Leon Folkman and Marlene Folkman, husband and wife, 3004 W. 2200 N. Arco, Idaho 83213 and to the Lessee, Mitchell D. Sorensen and Elaine R. Sorensen at 3871 W. 2500 N., Moore, Idaho 83255, or to such other address as shall be supplied in writing by either party to the other.

35. PROVISIONS SUBJECT TO APPLICABLE LAW:

All rights, powers and remedies provided herein may be exercised only to the extent that the exercise thereof does not violate any applicable law and are intended to be limited to the extent necessary so that they will not render this Lease Agreement invalid or unenforceable. If any term of this Lease Agreement shall be held to be invalid, illegal or unenforceable, the validity of the other terms of this Lease Agreement shall in no way be affected thereby.

36. CONSERVATION DAMAGE or DESTRUCTION:

Lessee, in the operation and use of the Property for the purposes set forth herein, shall not cause, consent to or, in any way or manner, allow any act or practice to be perpetrated upon the Property which would ultimately result in damage to or the destruction of a conservation practice.

37. FALL WORK:

During the fall months immediately preceding the end of the term of the lease, Lessee shall perform any and all fall work which may reasonably be required or necessary in order to properly prepare the Property to be farmed during the next farm season. In the event such fall work shall require the planting of any seed or the addition of any

fertilizer, pesticide or other chemical, or any cost beyond tilling, Lessor agrees to reimburse Lessee the cost of such seed planted, fertilizer, chemicals, or other items applied during the fall months immediately preceding the termination of the lease.

38. END OF LEASE TERM:

Upon expiration or other termination of the terms of this lease, Lessee shall immediately quit and surrender to Lessor the Property in good order and condition, ordinary wear and tear expected, and shall remove all of Lessee's equipment. Lessee shall restore any damage to the Property caused by the removal of Lessee's equipment. No holding over shall be permitted without Lessor's prior written consent.

Notwithstanding anything to the contrary herein, Lessee may use the storage facilities on the Property to store crops of Lessee, and if upon expiration of the term of this Lease Agreement or any renewal thereof, the Lessee has crops stored on the premises, Lessee may retain possession of such storage facility no longer than July 1st of the year following the harvest of such crops or until such crops are entirely removed therefrom, whichever is earlier. Such possession shall not be deemed a holding over with Lessor's permission under Idaho Code § 6-303(2), and Lessee must nevertheless yield up possession of the remainder of the Property.

39. ATTORNEY REPRESENTATION. The law firm of Holden, Kidwell, Hahn, & Crapo, P.L.L.C., drafters of this agreement, have acted as attorneys for Lessee Mitchell D. Sorensen and Elaine R. Sorensen and as such have in no way advised Lessor in regard to this agreement or any other matters, with all attorneys fees of Holden, Kidwell, Hahn, & Crapo, P.L.L.C. in regard to this matter having been paid by Lessee irrespective of any agreement between Lessor and Lessee for any reimbursement of Lessor by Lessee of any portion of said fees. Lessor and Lessee acknowledge that Holden, Kidwell, Hahn & Crapo, P.L.L.C. may now or may have in the past had an attorney client relationship with some or all of the individuals who are members of Lessor, and hereby expressly waive any claim of conflict of interest with respect to this transaction.

40. TIME IS OF THE ESSENCE: In the performance by Lessee of the agreements and obligations as provided by this agreement, time is of the essence.

41. MISCELLANEOUS:

- 41.1 AMENDMENT. This Lease Agreement may be amended, waived, discharged or terminated only by an instrument in writing, signed by both parties. This Lease Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto. The headings of this Lease Agreement are for purposes of reference only and shall not limit or define the meaning hereof.
- 41.2 ENFORCEMENT. Should either party default in the performance of any covenants or agreements contained herein, such defaulting party shall pay to other party all costs and expenses, including, but not limited to, a reasonable attorneys fees, including such fees on appeal, which the offended party may incur in enforcing this Lease Agreement or in pursuing any remedy allowed by law for breach hereof, whether such breach is incurred by the filing of suit or otherwise.
- 41.3 BINDING EFFECT. This Lease Agreement shall be binding upon and inure to the benefit of the heirs, personal representatives, administrators, successors and assigns of the parties hereto. If Lessor sells the Property during the term of this Lease Agreement then the purchaser shall take the property subject to this Lease Agreement and shall perform the obligations of Lessor herein.
- 41.4 LAW APPLICABLE. This Lease Agreement shall be interpreted, construed, and governed by the laws of the State of Idaho.
- 41.5 INTEGRATION CLAUSE. Lessor and Lessee acknowledge that the terms of this Lease Agreement may vary from the terms contained in any prior agreement, or any other preliminary agreements made prior to the execution of this Lease Agreement and may vary from any negotiations between the parties prior to the execution of this Lease Agreement. Lessor and Lessee agree that the terms, covenants and conditions of this Lease Agreement shall supersede all such prior negotiations and agreements, that there are no other verbal promises, implied promises, agreements, stipulations, representations or warranties of any kind or nature, excepting those set forth in this Lease Agreement, and that this agreement shall be and is the final expression of the agreement of the parties and shall control.
- 41.7 COUNTERPARTS. This Agricultural Lease may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one instrument, with the same effect as if all parties had signed the same signature page. Any signature page of this agreement

may be detached from any counterpart of this agreement and attached to any other counterpart thereof. Any transmission by telefax, facsimile, or email or other electronic transmission of any digital image which can be converted to paper form, including Adobe ® file format document (also know as a PDF file) of any signed counterpart of this agreement and retransmission of any signed counterpart so transmitted, shall be the same as deliver of an original counterpart of this agreement. Failure to also deliver an original executed counterpart shall not affect the validity, enforceability, or binding effect of this agreement.

41.8 NOTICE OF AGREEMENT. Notice of this Agricultural Lease shall be given by recording in the Official Records of Butte County, Idaho a notice of agreement in form of Exhibit B as attached hereto.

41.9 DIRECT PAYMENT OF LIENS. Lessee shall have the right to pay directly to any creditor of Lessor or Lessor's former tenant any amount necessary to remove any lien or other obligation which would impair Lessee's ability to raise a crop on the Property, including but not limited to, power bills. Lessee shall thereafter be entitled immediate repayment of all amounts so advanced from Lessor, together with interest calculated at the rate of 12% per annum, or at Lessee's option to deduct such amount, with interest, from any rent then or thereafter due to Lessor.

[signatures on next page]

IN WITNESS WHEREOF, the parties hereto, effective as of the date and year first above written, have caused this Agricultural Lease Agreement to be executed.

LESSOR

Leon Folkman

Marlene Folkman

LESSEE

Mitchell D. Sorensen

Elaine R. Sorensen

G:\WPDATA\CAHV7151.06\20080331 Folkman Farm Lease.wpd

EXHIBIT A
TO
AGRICULTURAL LEASE

Real Property

Tract One

TOWNSHIP 3 NORTH, RANGE 26 EAST OF THE BOISE MERIDIAN, BUTTE COUNTY, IDAHO.

Section 9: All of the S $\frac{1}{2}$ lying south of U.S. Highway 93.

Section 10: All SW $\frac{1}{4}$, and the W $\frac{1}{2}$ SE $\frac{1}{4}$, lying south of U.S. Highway 93.

EXCEPTING THEREFROM a parcel of land lying in the SE Corner of the said W $\frac{1}{2}$ SE $\frac{1}{4}$, of said Section 10, more particularly described as follows: Beginning at the SE corner of the SW $\frac{1}{4}$ SE $\frac{1}{4}$; thence North 208 feet; thence East 208 feet; thence South 208 feet; thence West 208 feet to the Point of Beginning.

Tract Two

A parcel of land used as a well-site, in the NE $\frac{1}{4}$ NW $\frac{1}{4}$, Section 15, Township 5 North, Range 26 East, Boise Meridian, more particularly described as follows:

Commencing at the centerline of an existing well located near the NW corner of said NE $\frac{1}{4}$ NW $\frac{1}{4}$; thence North approximately 80 feet to a point on the North line of said Section 15, which point is the TRUE POINT OF BEGINNING; thence West 8 feet; thence South 90 feet; thence East 23 feet; thence North 90 feet to a point on the said North Section Line; thence West 15 feet to the point of beginning, together with an easement for ingress and egress to service said well and appurtenances located on the property.

Tract Three

TOWNSHIP 3 NORTH, RANGE 26 EAST OF THE BOISE MERIDIAN, BUTTE COUNTY, IDAHO.

Section 12: S $\frac{1}{2}$ SE $\frac{1}{4}$;

Section 13: NE $\frac{1}{4}$ NE $\frac{1}{4}$

TOWNSHIP 3 NORTH, RANGE 27 EAST OF THE BOISE MERIDIAN, BUTTE COUNTY, IDAHO.

Section 7: Lot 4; SE $\frac{1}{4}$ SW $\frac{1}{4}$

TOGETHER WITH all water, water rights, ditch and ditch rights appurtenant to or associated with the Property, including but not limited to water rights in Big Lost River, namely 100 inches of decreed water on date of September 28th, 1896; forty inches of decreed water on date of June 1st, 1920, any and all water rights in the Big Lost River Irrigation District including storage in Mackay Reservoir, and water rights evidenced by the following water rights, licenses, and/or permits:

34-2401A
34-4015
34-10163
34-13710
34-13712
34-13714
34-7549
34-13711
34-13713
34-13715

TOGETHER with all irrigation equipment.

EXHIBIT B

AFTER RECORDING RETURN TO:

Charles A. Horner
Holden, Kidwell, Hahn & Crapo, P.L.L.C..
1000 Riverwalk Drive, Suite 200
P.O. Box 50130
Idaho Falls, ID 83405
208-523-0620

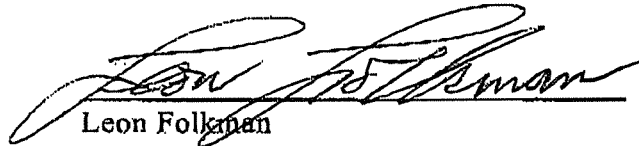
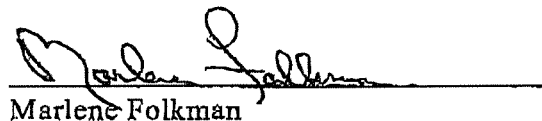
NOTICE OF AGRICULTURAL LEASE

THIS NOTICE OF LEASE AGREEMENT is being entered into by and between **Leon Folkman and Marlene Folkman**, husband and wife, 3004 W. 2200 N. Arco, Idaho 83213 (hereinafter referred to as "Lessor"), and Mitchell D. Sorensen and Elaine R. Sorensen, 3871 W. 2500 N., Moore, Idaho 83255, (hereinafter referred to as "Lessee").

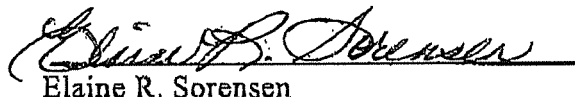
Lessor and Lessee hereby give notice that they have entered into that certain Agricultural Lease, of even date herewith (the "Lease Agreement"), with respect to the real property located in Butte County, Idaho, and legally described in Exhibit A attached hereto. The term of the lease shall begin January 1, 2008, and continue until midnight, December 31, 2009, with option to extend for five (5) additional one (1) year terms. All provisions of the Lease Agreement are incorporated herein. Further information with respect to the Lease Agreement may be obtained from Lessor or Lessee at the addresses listed above.

IN WITNESS WHEREOF, the parties have hereunto set their hands the day and year first written above.

LESSOR


Leon Folkman
Marlene Folkman

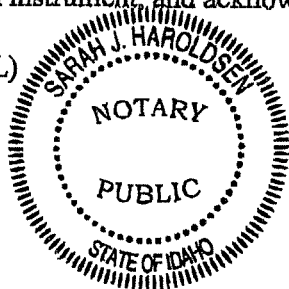
LESSEE


Mitchell D. Sorensen
Elaine R. Sorensen

STATE OF IDAHO)
County of Butte) SS.

On the 4th day of March, 2008, before me, Sarah J. Haroldsen, the undersigned Notary Public in and for the State of Idaho, personally appeared Leon Folkman and Marlene Folkman, husband and wife, known to me to be the persons whose names are subscribed to the within instrument, and acknowledged to me that they executed the same.

(SEAL)

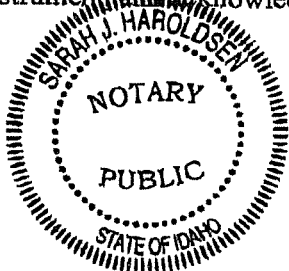


Sarah J. Haroldsen
Notary Public for State of Idaho
Residing at: Butte County
My Commission Expires: June 7, 2013

STATE OF IDAHO)
County of Butte) SS.

On the 4th day of March, 2008, before me, Sarah J. Haroldsen, the undersigned Notary Public in and for the State of Idaho, personally appeared Mitchell D. Sorensen and Elaine R. Sorensen, husband and wife, known to me to be the persons whose names are subscribed to the within instrument, and acknowledged to me that they executed the same.

(SEAL)



Sarah J. Haroldsen
Notary Public for State of Idaho
Residing at: Butte County
My Commission Expires: June 7, 2013

EXHIBIT A
TO
NOTICE OF AGRICULTURAL LEASE

Real Property

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Section 9: All of the S $\frac{1}{2}$ lying south of U.S. Highway 93.

Section 10: All SW $\frac{1}{4}$, and the W $\frac{1}{2}$ SE $\frac{1}{4}$, lying south of U.S. Highway 93.

EXCEPTING THEREFROM a parcel of land lying in the SE Corner of the said W $\frac{1}{2}$ SE $\frac{1}{4}$, of said Section 10, more particularly described as follows: Beginning at the SE corner of the SW $\frac{1}{4}$ SE $\frac{1}{4}$; thence North 208 feet; thence East 208 feet; thence South 208 feet; thence West 208 feet to the Point of Beginning.

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Section 12: S $\frac{1}{2}$ SE $\frac{1}{4}$;

Section 13: NE $\frac{1}{4}$ NE $\frac{1}{4}$

TOWNSHIP 3 NORTH, RANGE 27 EAST OF THE BOISE MERIDIAN, BUTTE COUNTY, IDAHO.

Section 7: Lot 4; SE $\frac{1}{4}$ SW $\frac{1}{4}$

REINSTATEMENT AND RENEWAL OF AGRICULTURAL LEASE

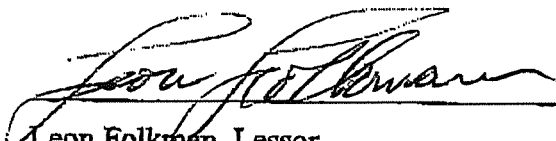
WHEREAS, Leon Folkman and Marlene Folkman "Lessor" and Mitchell Sorensen and Elaine Sorensen "Lessee" had previously entered into an Agricultural Lease Agreement made effective as of January 1, 2008, and provided Notice of the same on the 4th day of March, 2008;

AND WHEREAS, the parties to this Agreement mutually elected not to renew its terms prior to December 31, 2010;

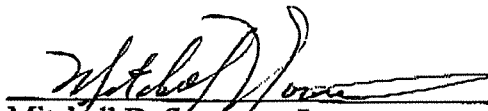
AND WHEREAS, the parties do now mutually agree to reinstate and renew the same terms and conditions of this Agreement;

NOTICE IS HEREBY GIVEN, the 2008 Agricultural Lease entered into and Noticed on the 4th day of March 2008, between Leon Folkman and Marlene Folkman "Lessor" and Mitchell Sorensen and Elaine Sorensen "Lessee", is hereby reinstated and renewed with the same terms and conditions contained in the Agreement for the 2011 year.

Exhibit A to this Agriculture Lease is attached and incorporated into this same notice.


Leon Folkman, Lessor

3/2/11
Date


Mitchell D. Sorensen, Lessee

MAR 2, 2011
Date