

RECEIVED

JUN 09 2011

DEPARTMENT OF
WATER RESOURCES

STATE OF IDAHO
WATER RESOURCE BOARD

Water Supply Bank No. _____
(For Department use only)

APPLICATION TO RENT RIGHT
FROM THE WATER SUPPLY BANK

Name of Seller/Lessor Knife River Corporation – Northwest
- Idaho Falls c/o Kurt Hanson Phone (208) 589-6692

Mailing Address 4055 Professional Way, Idaho Falls, ID 83402 Email _____

Prepared by: Keith C. Wilson c/o Rocky Mountain Environmental Associates Inc. Phone (208) 524-2353 / Fax 524-1795



482 Constitution Way, Ste 303, Idaho Falls, ID 83402 Email kwilson@rockymountainenvironmental.com

A. DESCRIPTION OF WATER SOUGHT FOR RENT

1.	<u>Maximum Flow Rate (cfs)</u>	<u>Maximum Volume (ac-ft)</u>	<u>Nature of Use</u>	<u>Period of Use</u>	
	<u>0.25 cfs</u>	<u>2.9 ac-ft</u>	<u>Commercial</u>	<u>01/01</u>	to <u>12/31</u>
	_____	_____	_____	_____	to _____
	_____	_____	_____	_____	to _____

Total: _____

2. Source of water Ground Water tributary to _____

3. Point(s) of Diversion

Twp	Rge	Sec	Lot	¼	¼	¼	County
7N	40E	11			SE	SE	Fremont

4. Lands 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	
7N	40E	11																C	

If the right is for irrigation, show total number of acres proposed through rental.

Total Acres _____

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.

KMS, LLC., c/o Kevin Siepert, 2285 East 400 North, St Anthony, ID 83445 (See attached Lease Agreement)

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.

KMS, LLC., c/o Kevin Siepert, 2285 East 400 North, St Anthony, ID 83445 (See attached Lease Agreement)

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. _____

Well, pump, mainline 5000 gallon storage tank to concrete mixing plant.

2. Describe any other water rights diverted through the same point(s) of diversion or used for the same purpose(s) as described above.

None

3. Will the proposed place of use receive water from any other source? Yes ☐ No ☒

If yes, describe. _____

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. Commercial Operation consisting of a concrete mixing plant.

Capacity = 0.25 cfs, Diversion Volume = 2.9 ac-ft/year (See Attached Calculation Pages)

5. Are there any other applications pending before the Department, such as an application for permit or transfer, for the same uses(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 years

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 that there is not 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

Doug DeLong / Asst. Secretary
Printed Name and Title*

6-2-11
Date

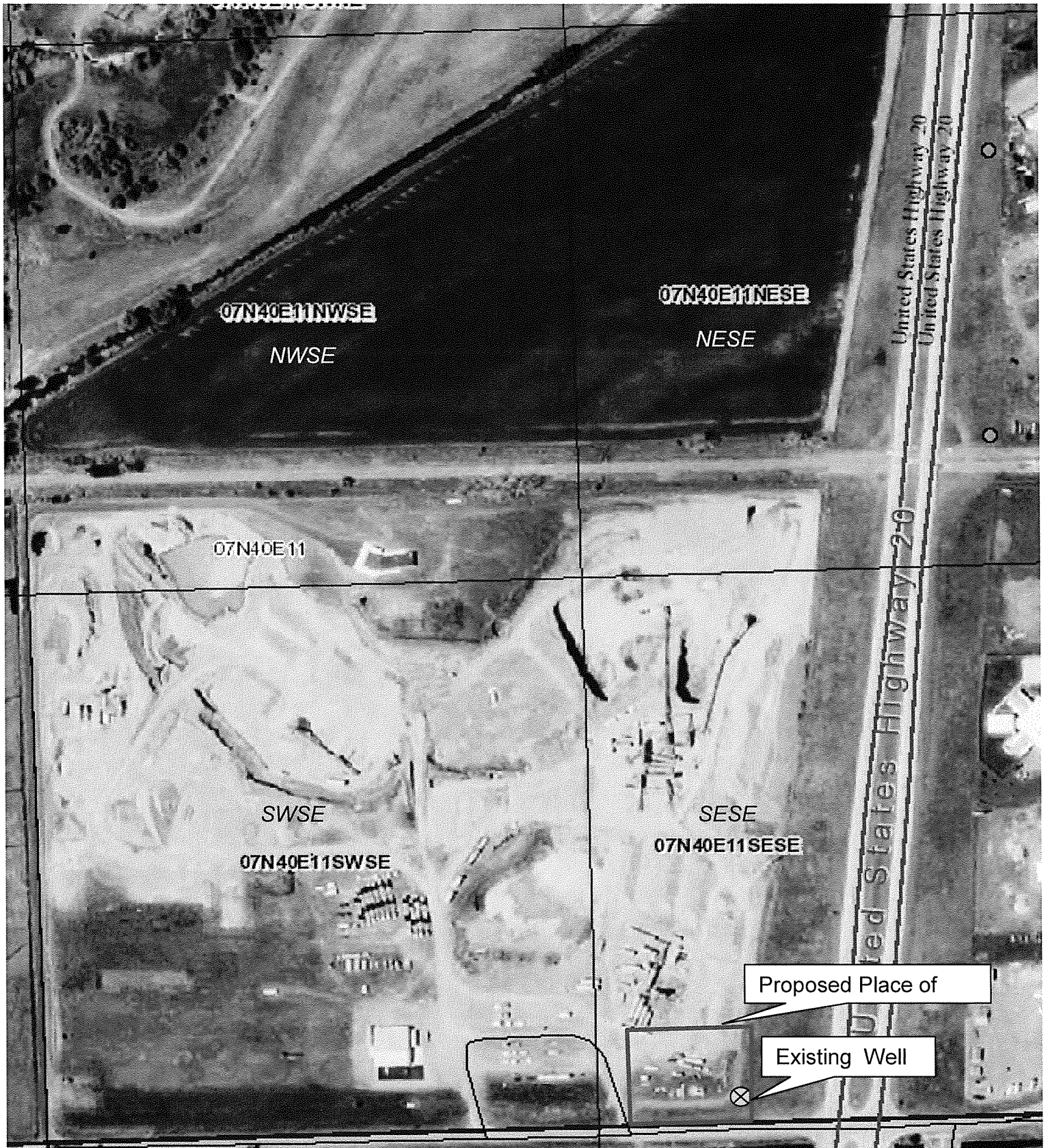
Signature of Applicant

Printed Name and Title*

Date

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

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



Diversion Volume Calculations

KNIFE RIVER CORPORATION
St. Anthony Concrete Plant

Minimum Diversion Capacity = 0.25 cfs
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Minimum Water Use		
ANNUAL PRODUCTION	15,000	CY
ANNUAL WATER USE @ 60 GAL/CY	900,000	GAL/YR
	2.8	Ac-Ft/yr

Maximum Water Use		
ANNUAL PRODUCTION	15,000	CY
DAILY USE @ (70 CY/DAY)(60 gal/cy)	4,200	GAL/DAY
4200 gal/day x 225 days/yr =	945,000	GAL/YR
945000 gal/year / 325850 gal/ac-ft =	2.90	Ac-Ft/yr



IDAHO SECRETARY OF STATE

Viewing Business Entity

Ben Ysursa, Secretary of State

KNIFE RIVER CORPORATION - NORTHWEST

1150 WEST CENTURY AVENUE
BISMARCK, ND 58503

Type of Business:	CORPORATION, GENERAL BUSINESS
Status:	GOODSTANDING, 2ND AR NOTICE SENT 02 Nov 2010
State of Origin:	OREGON
Date of Origination/Authorization:	20 Oct 2009
Initial Registered Agent:	CT CORPORATION SYSTEM 1111 W JEFFERSON STE 530 BOISE, ID 83702
Organizational ID / Filing Number:	C184875
Number of Authorized Stock Shares:	
Date of Last Annual Report:	03 Nov 2010

No. C 184875 Return to: SECRETARY OF STATE 700 WEST JEFFERSON PO BOX 83720 BOISE, ID 83720-0080 NO FILING FEE IF RECEIVED BY DUE DATE		Due no later than Oct 31, 2010 Annual Report Form 1. Mailing Address: Correct in this box if needed. KNIFE RIVER CORPORATION - NORTHWEST DAREK L NIEUWSMA 1150 WEST CENTURY AVENUE BISMARCK ND 58503		2. Registered Agent and Address (NO PO BOX) CT CORPORATION SYSTEM 1111 W JEFFERSON STE 530 BOISE ID 83702 USA 3. <u>New</u> Registered Agent Signature:*		
4. Corporations: Enter Names and Business Addresses of President, Secretary, and Directors. Treasurer (optional).						
Office Held	Name	Street or PO Address	City	State	Country	Postal Code
TREASURER	NANCY K CHRISTENSON	1150 WEST CENTURY AVENUE	BISMARCK	ND	USA	58503
DIRECTOR	WILLIAM E SCHNEIDER	1150 WEST CENTURY AVENUE	BISMARCK	ND	USA	58503
DIRECTOR	PAUL K SANDNESS	1200 WEST CENTURY AVENUE	BISMARCK	ND	USA	58503
DIRECTOR	WAYNE R DUTRA	1150 WEST CENTURY AVENUE	BISMARCK	ND	USA	58503
PRESIDENT	DAVID S BULL	32260 OLD HIGHWAY 34	TANGENT	OR	USA	97389
SECRETARY	PAUL K SANDNESS	1200 W CENTURY AVE	BISMARCK	ND	USA	58503
5. Organized Under the Laws of: OR C 184875		6. Annual Report must be signed.* Signature: Nancy K. Christenson Name (type or print): Nancy K. Christenson Date: 11/03/2010 Title: Treasurer & Cfo				
Processed 11/03/2010		* Electronically provided signatures are accepted as original signatures.				

CERTIFICATE

I, KARL A. LIEPITZ, hereby certify that I am the duly elected and qualified Assistant Secretary of Knife River Corporation – Northwest, formerly known as Morse Bros., Inc., an Oregon corporation; and I further certify that, pursuant to a resolution adopted by Written Consent of the Board of Directors dated December 21, 2009; the persons named below have been duly elected, have qualified and are officers of the Company holding the offices set forth opposite their respective names:

Terry D. Hildestad	Chairman of the Board
William E. Schneider	Chief Executive Officer
David C. Barney	Region President
David S. Bull	President
Hap Taylor	President – Central Oregon Division
Dave Turner	President – Idaho Division
Stephen Frey	Vice President – Region Controller and Assistant Secretary
Brian R. Gray	Vice President – Metro Division
Loren C. Later	Vice President – Prestress
Steven D. Mote	Vice President – Southern Materials
Rodney D. Nielsen	Vice President and General Manager
Nancy K. Christenson	Treasurer and Chief Financial Officer
Paul K. Sandness	General Counsel and Secretary
Doug DeLong	Assistant Secretary – Southern Idaho Division
Joel B. Frasier	Assistant Secretary
Karl A. Liepitz	Assistant Secretary
Randall J. Steele	Assistant Secretary

I further certify that the following is a true and correct copy of Section 5.13 of the Bylaws of Knife River Corporation – Northwest, formerly known as Morse Bros., Inc., which sets forth the powers of the officers to execute documents; and that said Bylaw Section is presently in full force and effect:

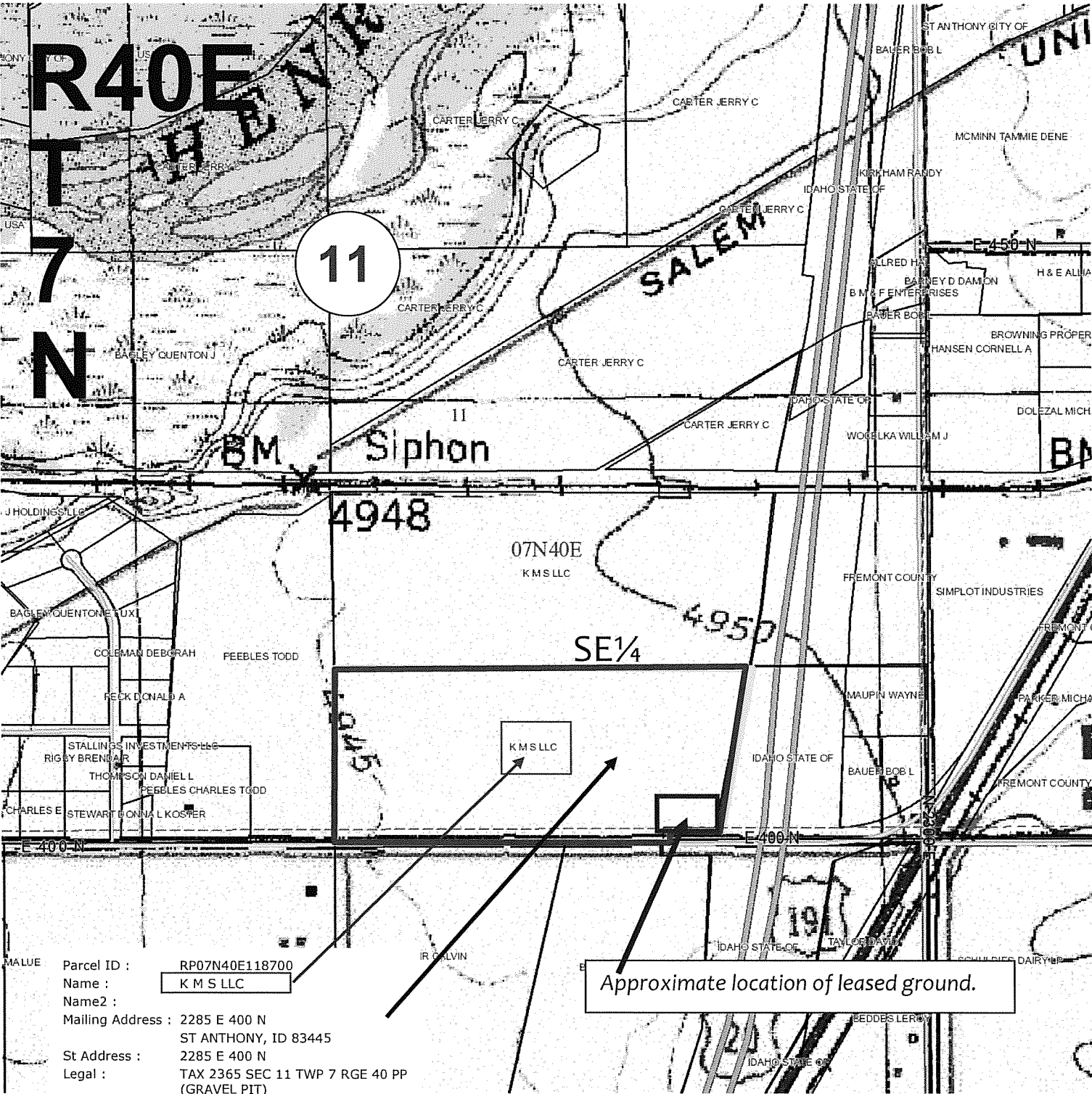
5.13 Execution of Instruments. All deeds, bonds, mortgages, notes, contracts and other instruments shall be executed on behalf of the Corporation by the Chairman of the Board, Chief Executive Officer, the President, any Vice President or Assistant Vice President, the General Counsel or such other officer or agent of the Corporation as shall be duly authorized by the Board of Directors. Any officer or agent executing any such documents on behalf of the Corporation may do so (except as otherwise required by applicable law) either under or without the seal of the Corporation and either individually or with an attestation, according to the requirements of the form of the instrument. If an attestation is required, the document shall be attested by the Secretary or an Assistant Secretary or by the Treasurer or an Assistant Treasurer or any other officer or agent authorized by the Board of Directors. When authorized by the Board of Directors, the signature of any officer or agent of the Corporation may be a facsimile.

IN WITNESS WHEREOF, I have hereunto set my hand on January 5, 2010.



KARL A. LIEPITZ, Assistant Secretary





Parcel ID : RP07N40E118700
Name : K M S LLC
Name2 :
Mailing Address : 2285 E 400 N
ST ANTHONY, ID 83445
St Address : 2285 E 400 N
Legal : TAX 2365 SEC 11 TWP 7 RGE 40 PP
(GRAVEL PIT)
Tax Roll Area : 31.05 acres
Code Area : 013000



IDAHO SECRETARY OF STATE

Viewing Business Entity

Ben Ysursa, Secretary of State

KMS, LLC

2285 EAST 400 NORTH
ST ANTHONY, ID 83445

Type of Business: LIMITED LIABILITY COMPANY
Status: EXISTING, ANREPT SENT 10 Dec 2010
State of Origin: IDAHO
Date of Origination/Authorization: 03 Feb 1998
Current Registered Agent: KEVIN SIEPERT
 488 N. 2000 W
 REXBURG, ID 83440
File Number: W5460
Date of Last Annual Report: 20 Dec 2010

No. W 5460 Return to: SECRETARY OF STATE 450 N 4th STREET PO BOX 83720 BOISE, ID 83720-0080 NO FILING FEE IF RECEIVED BY DUE DATE		Due no later than Feb 28, 2011 Annual Report Form		2. Registered Agent and Office (NOT A P.O. BOX) KEVIN SIEPERT 488 N. 2000 W REXBURG ID 83440	
1. Mailing Address: Correct in this box if needed. KMS, LLC KEVIN SIEPERT 2285 EAST 400 NORTH ST ANTHONY ID 83445		3. New Registered Agent Signature.			
4. Limited Liability Companies: Enter Names and Addresses of Managers OR Members.					
Manager/Member	Name	Street or PO Address	City	State	Country Postal Code
Kevin Siepert		2285 E 400 N	St. Anthony	Id	FRANCIS 83445
Milo Siepert		2285 E. 4000 N.	St. Anthony	Id.	FRANCIS 83445
5. Organized Under the Laws of: IDAHO W 5460		6. Signature: <i>Kevin Siepert</i> Name (type or print): Kevin Siepert Date: 12/15/10 Title: Manager			
Issued 12/10/2010 by CLH					

114479

INSTRUCTIONS FOR THE IDAHO ANNUAL REPORT FORM

ARTICLES OF ORGANIZATION LIMITED LIABILITY COMPANY

(Instructions on back of application)



98 FEB -3 AM 8:39
SECRETARY OF STATE
IDAHO

1. The name of the limited liability company is: KMS, LLC

2. The address of the initial registered office is: 488 N. 2000 W., Rexburg, ID 83440
(not a PO Box)

_____ and the name of the initial registered agent at that address is: Kevin Siepert

Signature of registered agent: Kevin Siepert

3. The latest date certain on which the limited liability company will dissolve: December 31, 2025

4. Is the management of the limited liability company vested in a manager or managers?
☐ Yes ☒ No (check appropriate box)

5. If management is vested in one or more manager(s), list the name(s) and address(es) of at least one initial manager. If management is vested in the members, list the name(s) and address(es) of at least one initial member.

Name:

Address:

Milo Siepert

488 N. 2000 W., Rexburg, ID 83440

Kevin Siepert

488 N. 2000 W., Rexburg, ID 83440

6. Signature of at least one person listed in #5 above:

Kevin Siepert

IDAHO SECRETARY OF STATE
Secretary of State use only
02/03/1998 09:00
CK: 2912 CT: 35309 BH: 78634

1 @ 100.00 = 100.00 ORGAN LLC

W5460

LEASE AGREEMENT

THIS LEASE AGREEMENT ("Lease") is entered into this 20th day of April, 2011 ("Effective Date"), by and between KMS, LLC ("Lessor") and Knife River Corporation-Northwest, and Oregon Corporation authorized to conduct business in the State of Idaho, ("Lessee").

1. RIGHTS GRANTED AND PROPERTY DESCRIPTION. Subject to the terms and conditions of this Lease, KMS, LLC ("Lessor") hereby grants to Knife River Corporation-Northwest ("Lessee") the right and lease to develop and operate a concrete batching facility. And to process and stockpile, sand, stone, rock and gravel plus any other material, and the use of water, as it may take to produce concrete. In and on the two acres of the Southeast corner of the real property situated in Fremont County, State of Idaho, more particularly described in Exhibit 'A' attached hereto and fully incorporated herein ("Leased Property"), together with all rights, easements, entrances, and exits appurtenant to the Leased Property as Lessee may deem necessary for its operations. Lessee shall have the right to shipping, receiving, storage, and handling of construction materials, including water, required for concrete batching. Roads and other improvements upon the Leased Property and to place machinery thereon as Lessee may deem necessary for the efficient processing including, but not limited to, maintenance of plants, machinery, appliances, pipelines and power lines on said Leased Property. Lessor warrants that he has the right to lease property, and has the right to convey to Lessee the right to conduct the concrete batching operations described in this Lease. Lessor further warrants that a Conditional Use Permit ("CUP") has been issued by Fremont County permitting Lessee's intended use of the Property. A true and correct copy of the CUP is attached hereto as Exhibit 'B' and is fully incorporated herein. Lessor is not responsible for Fremont County's discretion regarding Exhibit B.

2. TERM. The initial term of this Lease shall be two (2) years from effective date described above ("Term"). This lease can be extended an additional two (2) years if agreed upon by Lessee and Lessor. After expiration of the Term of this Lease, Lessee shall have 8 months to remove any material previously mined and stockpiled on the Lease Property.

3. RENT. Lessee agrees to pay Lessor for the right, privilege, and option to operate a portable concrete batching facility on the Leased Property a fee as follows:

3.1 Lessee shall pay Lessor per month for the lease of the property shown on attachment "A".

3.2 All rent payments to be paid by the 1st of the month for the actual month of operation.

3.3 The concrete aggregate supplied by the lessor shall comply to Idaho Transportation Department standard specifications for highway construction. The coarse aggregate shall be size 2a:

25 mm (1")	100% passing
19 mm (3/4")	95-100% passing
9.5 mm (3/8")	20-55% passing
4.75 mm (#4)	0-10% passing

LEASE AGREEMENT - 1

Or 2B:

2.36 mm (#8)	0-5% passing
25 mm (1")	100% passing
19 mm (3/4")	80-100% passing
9.5 mm (3/8")	10-40% passing
4.74 mm (#4)	0-4% passing

Fine aggregate shall be size:

9.5 mm (3/8")	100% passing
4.75 mm (#4)	95-100% passing
1.18 mm (#16)	45-80% passing
0.30 mm (#50)	10-30% passing
0.15 mm (#100)	2-10% passing
0.075 mm (#200)	0-4% passing

Lessee shall pay Lessor \$[REDACTED] for each ton of aggregate supplied by Lessor. The lessee shall pay for aggregate delivered by the Lessor within sixty (60) days of delivery. Lessor shall weigh aggregate on certified scales before delivery. Payment will be determined by certified scale weight tickets.

3.a If Lessor is unable to supply the aggregate the Lessee will be allowed to mine, crush, screen, and/or wash aggregate in the adjoining pit to supply the concrete plant. The Lessee will obtain approval from ITD for the source to provide concrete aggregate on DOT projects. The pit has source number of Fr-105-C and was granted archeological clearance on 09/14/98.

3.b Lessee shall keep a record of all materials removed from the subject property on a monthly basis for any and all months in which materials are removed during the term of this lease showing the quantity of materials removed during the preceding month, according to load tickets, with dates of loading. A copy of such record shall be mailed to Lessor on or before the tenth (10th) day of the month following any month in which materials are removed.

3.c Lessor may, upon not less than ten (10) days prior written notice to Lessee, inspect Lessee's records of all materials removed from the subject property in the preceding ninety (90) day period, at Lessee's general offices or at any other location designated by Lessee, at any time during reasonable business hours within ninety (90) days after Lessee's receipt of the monthly report, for purposes of determining whether the report was correct. If said inspection reveals an overpayment of royalties, Lessor shall reimburse Lessee the amount of any such overpayment within ninety (90) days after the date of inspection. If said inspection reveals an underpayment of royalties, Lessee shall reimburse Landlord the amount of such underpayment within ninety (90) days of the inspection. Lessee's monthly reports indicating all materials removed from the subject property shall be deemed correct if Lessor does not give Lessee written notice of discrepancy within the ninety (90) day period provided.

LEASE AGREEMENT - 2

3.d All royalty payments and the records required under Section (3.c) above shall be mailed to Lessor at the address, or alternative address, specified pursuant to Section 12 (Notices).

3.e In the event Lessee chooses to extend the term for an additional two (2) years as described in paragraph 2 above, rent will be reviewed and any adjustments to the rent rate must be agreed upon by both parties in writing. In the event no agreement is reached, the rent rate described in paragraph 3.1 above shall remain in effect.

4. RIGHTS OF LEASE. Lessee may build additional roads on the subject property as may be necessary for the production and removal of materials and may erect such buildings and install such machinery and equipment as may be useful in connection with its operations. In building or maintaining roads, erecting buildings, or installing machinery and equipment, Lessee may use materials from the subject property. Lessee shall not be required to pay royalties to Lessor for materials so used if agreed upon by both parties.

5. LESSEE OBLIGATIONS. Any roads constructed on the property must be in a location mutually agreed upon by the parties and shall not affect the Lessor's farm ground. Lessee shall be solely responsible for all power required for its operations. Lessee shall maintain access to all cell towers located on the property. Lessee agrees in good faith to use its best efforts to contract with Kevin Slepert for all necessary crushing and processing services reasonably required for Lessee's operations.

5.1 Business hours are from 7:00 a.m. to 7:00 p.m. Gate must be closed and locked before and after business hours or if plant is left unattended for more than thirty (30) minutes.

5.2 Lessee shall conduct its operations on the Property in full conformance with the terms and conditions of the CUP.

5.3 The terms and conditions of this Lease and all obligations of Lessee hereunder are contingent upon the Lessor will drill 6" well 220 feet deep. Lessee will be responsible for well pump and power. Lessee shall have use of water from well for its operations of its concrete batching facility. This provision is a condition precedent to the enforcement of this Lease by the Lessor.

6. PROTECTION AND RESTORATION OF SUBJECT PROPERTY. Upon termination of the lease of the subject property, or within a reasonable time after termination of this lease, Lessee will restore the subject property to original condition.

7. TAXES. Lessor shall pay all real estate taxes levied against the subject property before they become delinquent. Lessee will be responsible for taxes on buildings, equipment, or machinery erected on subject property by lessee. If Lessor fails to pay the taxes, Lessee may,

LEASE AGREEMENT - 3

at its option, pay the taxes and assessments as may be levied against the subject property and offset the amount of the payment, together with any penalties and/or interest required to be paid, against royalties due and payable to Lessor under this lease.

8. REMOVAL OF IMPROVEMENTS AND EQUIPMENT. All improvements and equipment placed on the subject property by Lessee shall remain the property of Lessee.

8.a Upon termination of this lease for any cause, Lessee shall have the right to remove all of its improvements and equipment within a reasonable time, within 90 days, including any materials mined and produced, but not removed on the date of termination all subject to payment of royalties as provided for in this lease.

9. INDEMNIFICATION. Lessee shall have a duty to indemnify Lessor against any and all liability or losses caused by Lessee's acts or omissions during the term of this lease. Lessor shall have a duty to indemnify Lessee from any and all liability and losses caused by Lessor's acts or omissions during the term of this lease.

10. DEFAULT.

10.a Remedies upon Lessee's Default. In the event Lessee shall at any time be in default in the payments to be paid by Lessee or in the observance or performance of any of the other covenants and agreements required to be performed and observed by Lessee hereunder, and any such default shall continue for a period of sixty (60) days after written notice to Lessee, then Lessor shall be entitled, at its election, to bring suit for the collection of the royalties or other amounts for which Lessee may be in default, or for the performance of any other covenant or agreement devolving upon Lessee, all without entering into possession or terminating this lease, or may terminate this lease, re-enter premises and take possession thereof.

In the event Lessor shall elect to terminate this lease as aforesaid, all rights and obligations of Lessor or any successors or assigns, shall cease and terminate, and Lessor, in addition to all remedies provided by this lease or otherwise available at law or in equity, shall have and retain full right to sue for and collect all royalties and other amounts for the payment of which Lessee shall then be in default, and all damages to Lessor by reason of any breach of this lease.

10.b Remedies upon Lessor's Default. In the event Lessor shall at any time be in default in the observance or performance of any of the covenants and agreements required to be performed and observed by Lessor hereunder and any such default shall continue for a period of sixty (60) days after written notice to Lessor, Lessee shall be entitled, at its election, to exercise, concurrently or successively, any one or more of the following rights, in addition to all remedies otherwise provided in the lease and otherwise available at law or in equity under the federal laws of the United States of America or the State of Idaho, to bring suit for the

collection of any amounts for which Lessor may be in default, or for the performance of any other covenant or agreement devolving upon Lessor, without terminating this lease.

If either Lessor or Lessee commences any suit for the collection of any amounts for which the other may be in default or for the performance of any other covenant or agreement hereunder, the prevailing party shall be entitled to an award of costs and fees expended in connection with such suit including, without limitation, reasonable attorneys fees and expenses incurred in enforcing such obligations and/or collecting such amounts.

10.c Remedies Cumulative. All remedies of Lessor or Lessee herein created or remedies otherwise existing at law or in equity are cumulative, and the exercise of one or more rights or remedies shall not be taken to exclude or waive the right to the exercise of any other, provided that in no event shall Lessor or the Lessee have the right to be awarded consequential damages for any breach under this lease. Except as limited hereinabove, all rights and remedies may be exercised and enforced concurrently and whenever and as often as Lessor or Lessee shall deem necessary.

11. ASSIGNMENT. This lease shall not be assigned without the prior written consent of Lessor first hand obtained nor shall the whole or any part of the subject property be sublet without the prior written consent of Lessor in each instance, which consent shall not be unreasonably withheld.

12. NOTICES.

12.a All notices given pursuant to this lease shall be in writing and shall be given by personal delivery, by United States mail or by United States express mail or other established express delivery service (such as Federal Express), postage or delivery charge prepaid, return receipt requested, addressed to the person and address designated below:

To Lessor:

Kevin Siepert
2285 E. 400 N.
St. Anthony, ID. 83445

To Lessee:

Knife River Corporation-Northwest
5450 W. Gowen Rd.
Boise, ID. 83709

The person and address to which notices may be sent may be changed at any time by any party upon written notice to the other party. All notices given pursuant to this lease shall be deemed given upon receipt.

12.b For the purposes of this lease, the term "receipt" shall mean the earlier of any of the following, the date of delivery of the notice or other document to the address specified pursuant to Section 12.a as shown on the return receipt, the date of actual receipt of the notice or other document by the person or entity specified pursuant to Section 12.a, or in the case of refusal to accept delivery or inability to delivery, the date of the postmark on the return receipt, or the date of receipt of notice of refusal or notice of non delivery by the sending party.

12.c Lessor and Lessee agree that a copy of all notices given hereunder shall also be given to such other persons and addresses as Lessor or Lessee may designate in writing to the other party.

13. **WARRANTIES.** Lessor makes no warranties, either express or implied, as to any quantity or quality of materials upon the subject property. Lessee leases the subject property in "as is" condition, with all faults and defects. Lessee has made its own inspection of the subject property and is relying upon its own inspection thereof and did not rely upon any representations or warranties by Lessor or any agents of Lessor.

14. **COVENANT FOR QUIET ENJOYMENT.** If Lessee is not in default, and subject to the lease terms, Lessor warrants that Lessee's peaceful and quiet enjoyment of the subject property shall not be disturbed by Lessor and/or employees.

15. **SUCCESSORS.** This Agreement shall be binding upon the parties to this Lease and their respective heirs, successors and assigns. In the event of the demise or incapacity of Kevin Siepert the terms of this contract will stay the same except Lessors heirs will have the option to no longer supply the aggregate. Lessee will have the option to produce aggregate for the sum of \$2.00 per ton for royalties.

16. **ENTIRE AGREEMENT.** The terms set forth in this lease are intended as a final expression of the parties agreement and may not be contradicted or supplemented by evidence of any prior agreement or any contemporaneous oral agreement.

17. **ATTORNEY FEES.** In the event any party is required to initiate or defend litigation with respect to the terms of this lease, the prevailing party in such litigation shall be entitled to costs and reasonable attorney fees incurred in connection with such litigation.

18. **NO PARTNERSHIP.** The provisions of this lease are not intended to create, nor shall they be in any way interpreted or construed to create a joint venture, partnership or any other similar relationship between the parties.

IN WITNESS WHEREOF, Lessor and Lessee have executed and delivered on the date first above written:

Lessor:

Lessee:

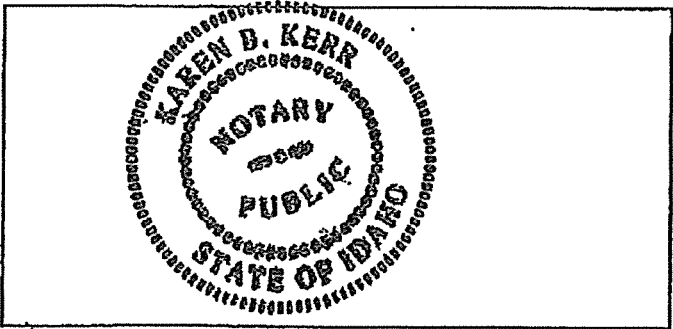
By *Kevin Siepert*
Kevin Siepert

By *Doug DeLong*
Doug DeLong, Operations Manager

STATE OF Idaho)
COUNTY OF Ada) ss.

I certify that I know or have satisfactory evidence that Doug DeLong of Knife River is the person who appeared before me, and said person acknowledged that he/she signed this instrument, on oath stated that he executed the instrument and acknowledged it to be his free and voluntary act for the uses and purposes mentioned in the instrument.

Dated: April 22nd, 2011



Karen B. Kerr
Notary Public
Print Name Karen B. Kerr
My Commission expires 11/20/2014

LEASE AGREEMENT - 7

EXHIBIT A



LEASE AGREEMENT - 8