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JUL 16 2004

Department of Water Resources

July 13, 2004

Cynthia Bridge Clark
Idaho Department of Water Resources
PO Box 83720
1301 North Orchard Street,
Boise, ID 83706

RE: RENTAL OF WATER RIGHTS LEASED TO THE WATER SUPPLY BANK. WATER RIGHT
NO(S). 36-2684

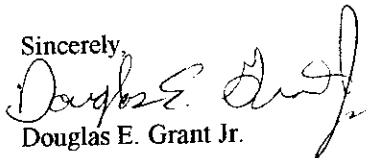
Dear Ms Clark:

Per our telephone conversation today I have enclosed a copy of our lease with Grant 4-D Farms for our farm property in Minidoka. The term of the lease extends through the crop season of 2008.

As we discussed, please issue the state warrant in the amount of \$9,306.00 to Grant 4-D Farms. That amount is the lease amount due to the water bank for the next five years. However, We have a separate water right rental agreement with Grant 4-D Farms in which they have agreed to make annual payments for the lease of the water rights through the year 2008.

Thanks for your help. If you have any other questions please call 208- 339-0677 or 208-339-0678.

Sincerely,



Douglas E. Grant Jr.

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Department of Water Resources

FARM LEASE

THIS AGREEMENT made and entered into this 1st day of January, 2000 by and between DOUGLAS E. GRANT JR. and LAUREL A. GRANT, husband and wife, of 425N 10th Street, Pocatello, Idaho 83201 hereinafter referred to as LESSOR and GRANT 4-D FARMS, a partnership, of 600 N. 707 E., Rupert, Idaho, hereinafter referred to as LESSEE.

WITNESSETH:

That Lessor, for and in consideration of the covenants and agreements hereinafter mentioned to be kept and performed by Lessee, does, by these presents, hereby lease, rent and demise to Lessee the following described lands, hereinafter called Lease Premises, situated in Minidoka County, Idaho, to-wit:

Approximately 320 acres described more fully as the East ½, Section 28, Township 7 South, Range 25 East Boise Meridian.

Together with the irrigation pump, mainlines, and labor housing. The Irrigation equipment presently owned by Lessor will be available for Lessee's use and that said equipment will be in working condition and shall be returned to Lessor at the end of the lease term in substantially the same condition, ordinary wear and tear excepted, unless otherwise provided herein.

The term of this lease shall be for the 2000 through 2008 farm season, and shall commence with the execution of this lease agreement and shall expire upon harvest of the crops in the fall of 2008, but in no event later than December 1, 2008. In the event the crops are harvested prior to December 1, 2008, the Lessor may come on to the premises to do fall work.

IT IS FURTHER AGREED AS FOLLOWS:

1. Lessee shall furnish all labor, seed, fertilizer, equipment and other materials for the planting, seeding, cultivating, tending, irrigation, care, harvesting and delivery of said crops at Lessee's own cost and expense.
2. All seed furnished by Lessee in connection with crops to be sown on the leased premises shall be of first-class quality and condition and shall be free from any diseases likely to affect crops to be grown on the leased premises in the future
3. Except as otherwise set forth herein, the consideration to the Lessor for the granting of this Lease is the sum of \$18,200.00 to be paid by the Lessee to the LESSOR or, in lieu of payment to LESSOR, payment may be made to Land Tittle, Rupert Idaho, and applied against a Sales Contract between LESSOR and Ray Lindauer, Et all. LESSEE shall make the rental payment in one installment on first business day of each year of the Lease.
4. LESSEE shall provide, at his sole expense, 2 new Valley Center Pivot machines, installed and operable on the leased premises. LESSEE shall also pay for adaptation of the existing mainline to the Valley center pivots. The Valley center pivots shall remain the property of the LESSEE throughout the term of the lease.
5. LESSEE shall, upon the completion of the lease according to the term and conditions there off, leave upon the Leased premises, in normal operating condition, free of any liens or encumbrances, the two Valley Center pivots. If this Lease is terminated prior to the agreed termination date, and such termination is

not caused by a breach of the terms of this Lease by LESSEE, LESSEE shall be entitled to remove the Valley pivots from the Leased premises. If the Lease is terminated due to non-payment by LESSEE, or for some other breach of the terms of this Lease by LESSEE, LESSEE shall be required to vacate the premises, and shall be required to leave the 2 Valley Pivots on the Leased premises.

6. LESSOR shall deliver to the possession of the LESSEE 365 joints 3 inch hand line pipe, more or less, of the hand line pipe used to irrigate the Leased premises prior to conversion to pivots, at the completion of the lease according to the term and conditions there off. LESSOR agrees that LESSEE may use, at his discretion and free of charge, said hand line joints during the term of this lease.
7. LESSEE agrees to remove the cement ditch located on the east boundary of the property, and to stack the cement on the southwest corner. LESSEE further agrees to relocate the excess dirt contained in the ditch pads on the east boundary of the property onto scrapped spots within the irrigated boundaries of the 2 Valley pivots.
8. Lessee shall pay all power for the operation of the pump.
9. LESSEE shall pay property taxes on the leased premises and irrigation system annually when due.
10. All labor performed and all materials supplied by the Lessee on the Leased Premises for any purpose during the term of this lease, unless otherwise specifically provided herein, shall conclusively be deemed to have been done and furnished by Lessee on Lessee's own

behalf and at Lessee's own instance and expense, unless (a) that parties hereto have agreed in writing with respect to the particular items of such labor and materials in advance of the performance or furnishing of the same that Lessor shall compensate Lessee for such labor or materials, and unless (b) the amount of such compensation is fixed by the terms of said writing. The Lessee shall not be entitled to claim compensation therefor unless the Lessor has so agreed in writing therefor as here in above provided. Further, no waiver of any of the provisions of this clause of the lease agreement shall be effective unless in writing.

6. The Lessee further covenants and agrees as follows:

(a) To farm the Leased Premises and the whole thereof throughout the lease term in keeping with the best practices of husbandry and not to allow or suffer any damages or waste thereto.

(b) To use only such water as is required in keeping with the best practices of husbandry and not to allow unreasonable waste thereof.

(c) To permit the Lessor, Lessor's agents or employees, to enter into and upon the Leased Premises, and each and every portion thereof, at any reasonable time or times for inspection thereof.

(d) Lessee may assign or sublease all or any portion of the premises, provided that the Lessee shall remain liable for the rental and further provided that the sub-lessee shall grant to Lessor a security interest in the crops being grown on the leased premises, and further provided that sub-lessee shall comply with all of the terms of this Farm Lease.

(e) All crops, including straw shall belong to the Lessee.

(f) To maintain liability insurance in a minimum amount of \$1,000,000.00 and workers compensation for all employees of Lessee and provide to Lessor proof of such insurance coverage.

(g) To quit and surrender possession of the Leased Premises on the expiration of said lease or any sooner termination thereof in as good order and condition as said premises are now in, reasonable use excepted.

(h) To keep and save harmless the Leased Premises and the lessor herein from any liens against the same on account of bills, debts for labor, or materials incurred by the Lessee.

(j) To indemnify and hold Lessor harmless from any and all chemical and fertilizer spills caused by Lessee, Lessee's employees, contractors or agents occurring on the Leased Premises during the term of this lease.

(k) To pay for maintenance of the irrigation system.

7. The Lessee is fully informed as to the source of water to be used in irrigating the premises and, in the event that a shortage or failure of water should develop at any time from any cause whatsoever, the Lessee releases the Lessor from any and all claims for damages or otherwise as a result thereof, including but not limited to damages to the Lessee's crops as a result of energy failure, damage to said pumping equipment caused by act, fault or neglect of the Lessee or Lessor, their agents or employees, or interruption by the elements or act of God.

8. In the event of a disagreement between the parties, then such disagreement shall be solved by Lessor selecting an arbitrator, the Lessee selecting an arbitrator and the two arbitrators so selected to select a third arbitrator. The decision of a majority of the arbitrators shall be binding on the parties. The cost of arbitration shall be borne by the nonprevailing party as determined by the decision of the arbitrators.

10. All of the covenants of this lease to be kept and performed by the Lessee shall be deemed to be conditions of this lease. Time is of the essence hereof, and in the event the Lessee shall fail, omit or neglect to plant the crops agreed upon or to properly cultivate the Leased Premises or to diligently proceed to keep such land free of weeds or to otherwise farm the same as here in before provided and such failure, omission, neglect or default shall continue for a period of five (5) days after written notice by Lessor to Lessee to cure said default, then the Lessor shall have the right immediately at any time thereafter while such neglect or default shall continue, to enter upon the Leased Premises and to employ such person or persons and equipment as may be necessary to properly perform such work and to charge the expenses thereby incurred to Lessee, including the reasonable value of Lessor's personal services, out of Lessee's share of the crop.

It is understood and agreed that the various rights, powers, options, elections and remedies of Lessor, contained in this instrument shall be cumulative, and that no one of them shall be exclusive of any other rights or priorities allowed by law, subject to the parties to arbitration as set forth above.

11. Lessee hereby agrees to indemnify and save harmless Lessor against any and all claims and liabilities for claims arising from the conduct of or from any work or thing whatsoever done in or about the leased premises, or any equipment used thereon, during the existence of this lease or any extension or renewal thereof, or arising from any act of negligence of Lessee, of any of Lessee's agents, contractors, or employees, or any person, partnership, corporation or other organization occurring in, on or about the Leased Premises, and from and against all costs, counsel fees, expenses and other liabilities incurred as a result of any such claim or any action brought against Lessor by reason of any such claim, Lessee, upon notice from Lessor,

shall resist and defend any such action proceeding on behalf of Lessor by counsel satisfactory to Lessor.

Lessor shall provide insurance coverage on all irrigation equipment provided to Lessee under the terms of this Farm Lease.

12. The Lessee agrees that the failure by the Lessor at any time to require performance of any provision hereof shall in no way affect Lessor's right hereunder to enforce the same, nor shall the waiver by the Lessor of any breach of any provision hereof be held to be a waiver of any succeeding breach of any provision, or as a waiver of the provision itself.

13. Lessor hereby grants to Lessee a right of First Refusal to purchase the leased premises which right of first refusal shall terminate and expire on December 31, 2008. In the event Lessor attempts to sell the leased premises, Lessor shall give to Lessee written notice of the terms of the proposed sale and shall give the Lessee thirty (30) days to match the offer received by Lessor. If such offer is matched, the parties shall proceed to close the sale within sixty (60) days following the Lessee giving to the Lessor written notice of intent to exercise the right of first refusal. Lessor shall provide title insurance in the amount of the purchase price. Lessee hereby agrees to execute a document in the event that the right of first refusal is not exercised to the effect that Lessee is waiving and releasing the right of first refusal.

14. Lessor hereby grants to Lessee a right of First Refusal to re-negotiate a lease of the leased premises at the termination of this lease. This right of first refusal shall terminate and expire on April 30, 2009. In the event Lessor receives a binding written offer from a third party to lease the Leased Premises, Lessor shall give to Lessee written notice of the terms of the proposed lease and shall give the Lessee ten days to match the offer received by Lessor. If such offer is matched, the parties shall enter a lease agreement within ten days following the

Lessee giving to the Lessor written notice of intent to exercise the right of first refusal.

15. The covenants and agreements herein contained shall extend to and be binding upon the heirs, executors, administrators, successors and assigns of the parties hereto.

IN WITNESS WHEREOF the parties have executed this lease.

Lessor

Douglas E. Grant Jr.

Douglas E. Grant Jr.

Laurel A. Grant

Laurel A. Grant

Lessee

Not present EA

Grant 4-D Farms, a Partnership, by:

Duane R. Grant

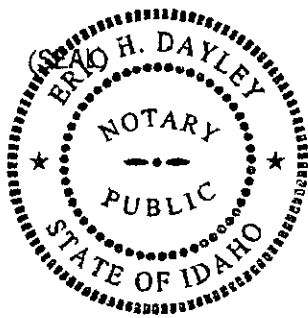
STATE OF IDAHO)

) ss.

County of Minidoka)

On this day of 16th ^{March} ~~February~~, 2000, before me the undersigned notary public in and for said state, personally appeared Douglas E. Grant, Laurel A. Grant, and ~~Duane R. Grant~~, known or identified to me to be the persons whose names are subscribed to the within instrument and acknowledged to me that they executed the same.

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



Eric H. Dayley

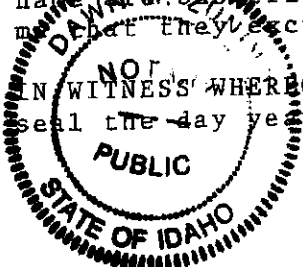
Notary Public

Residing at Bannock County Idaho

My Commission expires 4/6/04

On this day of 16th March, 2000, before me the undersigned notary public in and for said state, personally appeared Duane R. Grant, known or identified to me to be the person whose name is subscribed to the within instrument and acknowledged to me that they executed the same.

IN WITNESS WHEREOF, I have herunto set my and affixed my official seal the day year first above written.



Duane R. Grant

Notary Public

Residing at Minidoka

My Commission expires 12/20/05