

BROCKWAY
ENGINEERING
P.L.L.C.

Hydraulics

Hydrology

Water Resources

April 8, 2003

RECEIVED
APR 14 2003
Department of Water Resources
Southern Region

Mr. Allen Merritt
Idaho Department of Water Resources
1341 Fillmore Street, Suite 200
Twin Falls, ID 83301

Re: Additional Information for Water Right Transfer – Timothy Deeg

Dear Allen:

The application for transfer recently submitted for Timothy Deeg was returned for some minor changes in the application and for additional information relative to ownership of the land and water rights. I am enclosing lease agreements between Otto and Ida Deeg and Stephen and Lynn Deeg with Timothy and Diane Deeg. These agreements outline the contractual relationships on the farm. The agreement for lease of the Nelson water rights is enclosed. Also, there are tax notices enclosed.

I have made the suggested changes in the application to show the correct place of use and the addition of domestic use to water right 41-7071 and have had the questions on the part 2's answered.

I am resubmitting Brockway Engineering check (#4246) in the amount of \$370.00 for the transfer application fee.

Sincerely,

Charles E. Brockway

Enclosure: Transfer Application
Check #4246

cc: Mr. Timothy Deeg
Mr. Kent Foster

CHARLES E.
BROCKWAY,
PH.D., P.E.

CHARLES G.
BROCKWAY,
PH.D., P.E.

2016 NORTH
WASHINGTON
STREET • SUITE 4

TWIN FALLS,
IDAHO 83301

208•736•8543

FAX: 736•8506



Home Office • 33 Bannock Street • Malad City, Idaho 83252 • 766-2211

Downey Office
17 East Center
Downey, ID 83234
897-5226

Grace Office
1 North Main
Grace, ID 83241
425-3066

Inkom Office
110 Hwy. 30 E.
Inkom, ID 83245
775-3354

Lava Office
146 E. Main
Lava, ID 83246
776-5656

Montpelier Office
420 North 4th Street
Montpelier, ID 83254
847-3100

Pocatello Office
2715 Pololine Road
Pocatello, ID 83201
233-1816

Preston Office
85 E. Oneida
Preston, ID 83263
852-2400

Soda Springs Office
98 W. 2nd So.
Soda Springs, ID 83276
547-2191

April 10, 2003

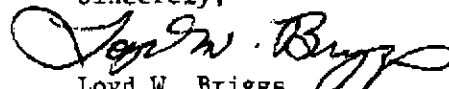
Mr. Timothy P. Deeg
2957 Deeg Road
American Falls, Idaho 83211

Dear Mr. Deeg:

In response to your request to us regarding our permission to allow you to move the water rights you have as needed to any of the areas which we hold a mortgage, we hereby agree to give our permission to allow you to use your water rights on the permissible place of use as you see fit.

If any further questions or clarification of this matter is needed please contact me at any time.

Sincerely,


Loyd W. Briggs
Sr. Vice President

FARM SUBLEASE

THIS SUBLEASE is made and entered into this 28th day of March, 1997, by and between **STEVEN K. DEEG and LYNN DEEG**, husband and wife, of American Falls, Idaho, hereinafter referred to as "Lessor", and **TIMOTHY P. DEEG and DIANE DEEG**, husband and wife, of American Falls, Idaho, hereinafter referred to as "Lessee".

For good and valuable consideration, Lessor agrees to sublease to Lessee, and Lessee agrees to lease from Lessor all of the following described real property situate in the County of Power, State of Idaho:

The West one-half of the Northeast quarter and the East one-half of the Northwest quarter of Section 12, Township 9 South, Range 30 East, B.M.

1. TERM OF SUBLEASE.

This Sublease shall be for the years 1997, 2000, 2003 and 2006, years during which Lessee hereunder will plant and grow potato crops on the real property. In each of such years, Lessee shall have possession of the real property during all times required by Lessee for preparation, planting, growing and harvesting of such potato crops.

2. RENTAL.

Lessee shall pay Lessor rent for the use of said premises as follows:

A variable cash rent based upon net potato crop receipts. Potato crops shall be grown on said real property in the years 1997, 2000, 2003 and 2006 only, and there shall be no rental payments except in those years, regardless of what other crops may be grown by Lessee in any of the other years during the term of this Sublease. The share of each such potato crop which shall be

paid as rent shall be five percent (5%) of the net potato crop receipts, plus an additional one percent (1%) of such net receipts in any year that the yield exceeds 400 cwt. per acre. In no event, however, shall the consideration be less than \$5,000.00. Said consideration shall be paid upon sale of said potato crop or any portion thereof.

3. DEFICIENCY PAYMENTS.

If, during the term hereof, because of the growing by Lessee of potatoes, Lessor suffers any loss of wheat deficiency payments which Lessor would have received but for the growing of potatoes by Lessee, Lessee shall also compensate Lessor all such sums as Lessor would otherwise have received for such wheat deficiency payments.

4. MARKETING AND SALE.

Lessee shall be solely responsible for the marketing and sale of all crops grown on the real property.

5. EXPENSES.

Lessee shall be responsible to pay any and all expenses or costs incurred in the farming of the real property during the years of this Sublease, including but not limited to electricity for the irrigation system and other purposes, all machinery and equipment, all work and labor, all supplies, seed, chemicals and materials.

6. FARMING PRACTICES.

Lessee shall operate and farm said real property in a prudent and appropriate manner consistent with the prevailing farming practices employed in the community and shall be responsible for determining the crop rotation practices, including acreage, the kind

and sequence of crops, fertilization and crop cultivation practices to be followed. Lessee shall determine the seed to be used and the amounts, kind and time of application of fertilizer and all chemicals.

7. IRRIGATION SYSTEM.

There is presently no irrigation system for said real property; the land has historically been dry-farmed. Lessee owns a well and water right which would permit the convenient operation of the real property as an irrigated farm. It is understood and agreed that Lessee may at Lessee's own cost and expense, install buried mainline and a sprinkler irrigation system for the proper irrigation of the real property. It is further agreed that neither the buried mainline, nor any portion of the irrigation system so installed by Lessee shall become a fixture or an appurtenance of said real property, but that ownership thereof shall remain in Lessee and, at the expiration of this Sublease or prior termination thereof for any reason, Lessee shall have the right to remove the entire irrigation system, including buried mainline and all attendant structures and equipment from the real property. Also, at the expiration or termination for any reason of this Sublease, Lessee shall have the right to transfer the water right to any other property determined by Lessee, and this provision shall constitute the consent of Lessor and the owners of said real property for such purpose.

8. AVAILABILITY OF WATER RIGHTS TO LESSOR.

If, during the term hereof, water rights, which can be made appurtenant to this land through appropriation, transfer or otherwise, become available to Lessor, and Lessor does in fact acquire such right or rights for the irrigation of said land, Lessor may, upon

written notice to Lessee, terminate this Sublease at the close of the then ensuing crop season and this Sublease shall thereafter be void and of no further force or effect.

9. REAL PROPERTY TAXES.

Lessor shall pay such real property taxes levied on the real property during the term hereof as would have otherwise been levied if said real property had remained in dryland farming. The parties agree that Lessor shall pay an amount equal to the then prevailing tax rate per acre applied to dryland farming property multiplied by the total number of acres hereby subleased and Lessee shall pay the balance of all real property taxes levied upon said real property during the term of this Sublease.

10. RELATIONSHIP OF PARTIES.

The relationship of the parties hereto is strictly that of Landlord and Tenant and this Sublease 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. LAWS AND ORDINANCES.

Lessee covenants and agrees that it will at all times manage and use said real property in all respects in accordance with the laws and ordinances of all governmental authorities having jurisdiction over the premises; and that it will not carry on or conduct, permit to be carried on or conducted, upon the real property or any part thereof, any unlawful business or activity.

12. FALSE REPRESENTATION-WARRANTIES.

It is mutually understood and agreed that Lessee is subleasing said real property as is, and that Lessor has made no warranties or representations regarding said property, including but not limited to: condition of soil, productivity of the farm, or condition of improvements. Lessee further states that Lessee has inspected said real property and that the same is being subleased by Lessee wholly as a result of said inspection, and not upon any representation made by Lessor or its agents, and/or its attorneys.

13. LESSOR'S WARRANTY, ASSIGNMENT AND SUBLEASING.

Lessor hereby warrants that it has full authorization from the owners of the real property to enter into this Sublease and to provide for further subleasing, as herein provided to Lessee. Lessee may assign this Sublease or any interest therein and further sublet the real property or any part thereof or any right or privilege appurtenant thereto, and may permit the occupancy or use of any part thereof by any financially responsible party during the term hereof without the prior approval of Lessor or the record owners of said real property.

14. LIENS.

Lessee shall have the right to place liens on the crops grown on the real property and on irrigation mainline and equipment placed thereon in order to obtain appropriate financing for operation and for any such irrigation mainline and equipment.

15. REPORTS AND RECORDS.

As a minimum, Lessee shall keep the following records with respect to Lessee's farming operation under the terms of this Sublease and upon request, shall provide the same to Lessor.

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

16. SURRENDER OF PREMISES.

Lessee shall surrender the real property at the expiration (or sooner termination) of this Sublease in the same condition as originally delivered to Lessee or as altered pursuant to the provisions of this instrument, ordinary wear, tear, and damage by the elements excepted. It is further agreed that if Lessee remains in possession of the demised real property after the expiration of the term of this Sublease, such possession shall not be construed as a renewal of this Sublease, but shall be construed to be a tenancy at will, unless a renewal be agreed to in writing by Lessor.

17. EMINENT DOMAIN.

If the real property or any part thereof is taken by eminent domain, at the option of Lessee, this Sublease shall expire on the date when such real property is so taken. If all or any portion of the leased property is taken so any portion of the crops then growing upon the premises is not harvested, Lessor shall reimburse Lessee for all expenses incurred by Lessee in raising and planting the unharvested crops and Lessee shall owe Lessor no rent for the portion of the real property so taken. No part of any award shall belong to Lessee.

18. INDEMNITY.

Lessee assumes liability for and shall indemnify, protect, save and keep harmless Lessor, its agents and servants from and against all losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements, including legal expenses of whatsoever kind and nature imposed upon, incurred by or asserted against Lessor in any way relating to or arising out of this Sublease or of Lessee's use of said real property.

19. DEFAULT.

This Sublease is made upon the express condition that if Lessee defaults in the payment of any installment of rent, or upon a breach of any other condition of this Sublease to be performed or observed by Lessee, or if, during the term of this Sublease, bankruptcy or insolvency proceedings are commenced by or against Lessee, Lessor shall have the right, upon three (3) days written notice, to terminate this Sublease; but such termination shall not release Lessee from the payment of the rent and other damages sustained by Lessor. If upon any termination of this Sublease Lessee fails or refuses forthwith to deliver the possession

of the real property to Lessor, Lessor shall have the right to enter the subject real property, forcibly if necessary, and take possession thereof and remove Lessee therefrom and Lessee shall be deemed guilty of an unlawful detainer under the statutes of the State of Idaho.

20. ATTORNEY FEES.

The failure of either party to comply with the terms of this Sublease will obligate that party to pay all expenses including reasonable attorney fees, incurred by the other party because of that failure.

21. SUCCESSORS.

All of the terms, covenants and conditions hereof shall be binding upon and inure to the benefit of the heirs, personal representatives, assigns and other successors in interest of the parties hereto.

22. MISCELLANEOUS.

It is mutually agreed that:

22.1 The paragraph captions in this Sublease are for convenience only and shall not in any way limit or be deemed to construe or interpret the terms and provisions hereto.

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

22.3 Whenever a singular number is used in this Sublease, and when required by context, the same shall include the plural, and the masculine gender shall include the feminine and neuter genders, and vice versa, whenever the context so requires.

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

LESSOR

Steven K. Deeg
Steven K. Deeg

Lynn Deeg
Lynn Deeg

LESSEE

Timothy P. Deeg
Timothy P. Deeg

Diane Deeg
Diane Deeg

The owners and Lessors to Steven K. and Lynn Deeg of the above described real property are Otto and Ida Deeg. Otto and Ida Deeg have read and understand the above and foregoing sublease and hereby approve and formally consent to the terms hereof.

Otto Deeg
Otto Deeg

Ida Deeg
Ida Deeg

STATE OF IDAHO)
)ss.
County of Pover)

On the 28 day of March, 1997, before me, the undersigned, a notary public in and for said State, personally appeared **Steven K. Deeg**, known or identified to me to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same.

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

(seal)

Rose Ann Turk
Notary Public for Idaho
Residing at Am. Falls Id.
My Commission Expires: 12-20-2000

STATE OF IDAHO)
)ss.
County of Pover)

On the 28 day of March, 1997, before me, the undersigned, a notary public in and for said State, personally appeared **Lynn Deeg**, known or identified to me to be the person whose name is subscribed to the within instrument and acknowledged to me that she executed the same.

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

(seal)

Rose Ann Turk
Notary Public for Idaho
Residing at Am. Falls
My Commission Expires: 12-20-2000

STATE OF IDAHO)
)ss.
County of Lower)

On the 31 day of March, 1997, before me, the undersigned, a notary public in and for said State, personally appeared **Timothy P. Deeg**, known or identified to me to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same.

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

(seal)

Rose Ann Smith
Notary Public for Idaho
Residing at *Am. Falls, Id.*
My Commission Expires: *12-20-2000*

STATE OF IDAHO)
)ss.
County of Lower)

On the 1 day of ~~March~~ ^{April}, 1997, before me, the undersigned, a notary public in and for said State, personally appeared **Diane Deeg**, known or identified to me to be the person whose name is subscribed to the within instrument and acknowledged to me that she executed the same.

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

(seal)

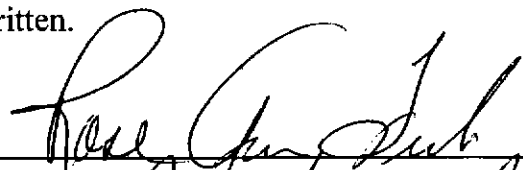
Rose Ann Smith
Notary Public for Idaho
Residing at *Am. Falls, Id.*
My Commission Expires: *12-20-2000*

STATE OF IDAHO)
)ss.
County of Power)

On the 30 day of March, 1997, before me, the undersigned, a notary public in and for said State, personally appeared **Otto Deeg**, known or identified to me to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same.

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

(seal)


Notary Public for Idaho
Residing at Am. Falls, Id.
My Commission Expires: 12-20-2000

STATE OF IDAHO)
)ss.
County of Power)

On the 28 day of March, 1997, before me, the undersigned, a notary public in and for said State, personally appeared **Ida Deeg**, known or identified to me to be the person whose name is subscribed to the within instrument and acknowledged to me that she executed the same.

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

(seal)


Notary Public for Idaho
Residing at Am. Falls, Id.
My Commission Expires: 12-20-2000

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LEASE OF WATER RIGHT

THIS AGREEMENT, made and entered into this 16 day of April, 1997, by and between RICHARD G. NELSON and ARTHUR GENE NELSON, co-personal representatives of the Estate of Farold J. Nelson, deceased, and LELA M. NELSON, the surviving wife of Farold J. Nelson, hereinafter referred to as "Lessor", and TIMOTHY P. DEEG and DIANE J. DEEG, husband and wife, hereinafter referred to as "Lessee".

Lessor hereby leases to Lessee all of Lessor's right, title and interest in and to Water Right No. 41-07034, in consideration of the sum of NINE HUNDRED TEN DOLLARS (\$910) per year, payable as hereinafter provided.

1. Lessor covenants that all lands to which the water right leased hereby is appurtenant shall not be irrigated during the term hereof.

2. During the term of this Lease and during any extension, Lessee agrees to place to beneficial use for irrigation purposes all water leased to Lessee hereunder.

3. The term of this Lease shall be five (5) years, to commence on August 15, 1997, and end on November 15, 2002.

4. Lessor covenants and represents that Lessor is the true and lawful owner of said water right and that said right has not lapsed, been abandoned or forfeited, either in whole or in part. Lessor agrees to cooperate with Lessee in transferring this leased right for use on Lessee's land, but does not warrant or guarantee that the Idaho Department of Water Resources, hereinafter referred to as "Department", will grant a transfer of said water right.

This lease is conditioned upon the Department's approval of a transfer of the water right from Lessor's present place of use and point of diversion to place of use and point of diversion located on lands owned or leased by Lessee.

5. Lessee shall be entitled to file an application with the Department to transfer the place of use and point of diversion of the water right for the term of the lease. Lessor shall cooperate in securing such transfer and processing such application and shall execute any documents necessary to achieve the transfer.

6. Lessee agrees to pay to Lessor the first rental payment of NINE HUNDRED TEN DOLLARS (\$910) to be paid hereunder within ten (10) days after Lessee has been notified by the Department that the transfer of point of diversion and place of use has been approved by the Department. If the transfer cannot be completed by _____, 19____, this Lease shall lapse and be of no further force and effect. Subsequent to completion fo the transfer, Lessee agrees to pay the annual rental on or before _____, of each year.

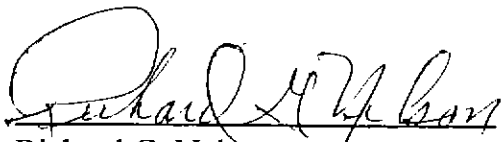
7. Lessor shall not be liable for any damage to Lessee resulting from any action of the Department to protect the water rights of any other appropriators which may affect irrigation operations of Lessee in the use of this leased water right.

8. Upon the termination of this Lease, Lessee shall be responsible for all actions necessary to transfer said water right back to such place of use and point of diversion as shall be specified by Lessor.

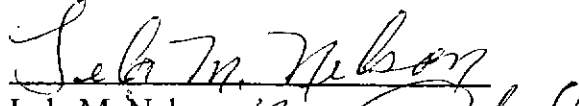
9. This Lease shall be binding upon the respective heirs, executors, successor, and assigns of the Lessor and the Lessee.

Dated this 16 day of April, 1997.

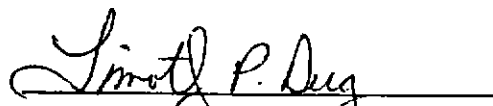
LESSOR

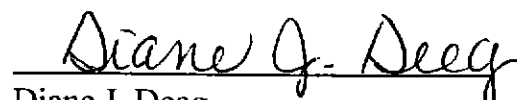

Richard G. Nelson


Arthur Gene Nelson


Lela M. Nelson

LESSEE


Timothy P. Deeg


Diane J. Deeg

STATE OF IDAHO)
)ss.
County of POWER)

On the 14th day of April, 1997, before me, the undersigned, a notary public in and for said State, personally appeared RICHARD G. NELSON and ARTHUR GENE NELSON, co-personal representatives of the Estate of Farold J. Nelson, and LELA M. NELSON, surviving spouse of Farold J. Nelson, 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 in this certificate first above written.

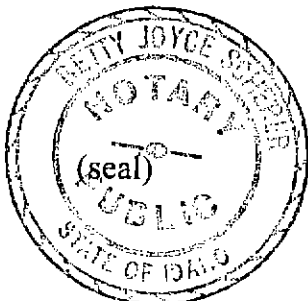


Notary Public for Idaho
Residing at American Falls
My Commission Expires: 4-19-98

STATE OF IDAHO)
)ss.
County of POWER)

On the 16 day of April, 1997, before me, the undersigned, a notary public in and for said State, personally appeared TIMOTHY P. DEEG and DIANE J. DEEG, husband and wife, 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 in this certificate first above written.



Notary Public for Idaho
Residing at American Falls
My Commission Expires: 12-12-2000

G:\WPDATA\KWF\1246\DEEG.LSE:sjw

LEASE OF WATER RIGHTS

THIS AGREEMENT, made and entered into this 30th day of November, 1993 by and between RICHARD G. NELSON and ARTHUR GENE NELSON, co-personal representatives of the Estate of Farold J. Nelson, deceased, and LELA M. NELSON, the surviving wife of Farold J. Nelson, hereinafter referred to as "Lessor", hereby leases to TIMOTHY P. DEEG and DIANE J. DEEG, husband and wife, hereinafter referred to as "Lessee", all of Lessor's right, title and interest in and to Water Right No. 41-07030, in consideration of the sum of ONE THOUSAND TWO HUNDRED SIXTY DOLLARS (\$1,260) per year, payable as hereinafter provided.

AGN R.G. Irrigated
1. Lessor covenants that all lands to which the water rights herewith leased are appurtenant shall be set-aside from production for the term hereof and shall not be irrigated for the term hereof.

2. During the term of this Lease and during any extension, Lessee agrees to place to beneficial use for irrigation purposes all water leased to him hereunder.

3. The term of this Lease shall be for five (5) years to commence on October 1, 1993, and end on September 30, 1998.

4. Lessor covenants and represents that he is the true and lawful owner of the water right and that this right has not lapsed, been abandoned or forfeited either in whole or part. Lessor agrees to cooperate with Lessee in transferring this leased right to Lessee but does not warrant or guarantee that the Idaho Department of Water Resources, hereinafter referred to as "Department", will recognize any transfer or diversion under said water right.

5. Lessee shall be entitled to file all necessary applications with the Department to transfer the place of use and point of diversion of the water right on a temporary

basis. Lessor shall cooperate in securing such transfers and processing such applications and shall execute any documents necessary to achieve the transfer.

This Lease is conditioned upon the Department's approval of a transfer of the water right from Lessor's present place of use and point of diversion to place of use and point of diversion located on lands owned or leased by Lessee.

6. Lessee agrees to pay to Lessor the ONE THOUSAND TWO HUNDRED SIXTY DOLLARS (\$1,260) rental consideration to be paid hereunder within ten (10) days after Lessee has been notified by the Department that the transfer in point of diversion and place of use has been approved by the Department. If the transfer cannot be completed by February 15, 1994, this Lease shall lapse and be of no further force and effect. Subsequent to 1994, Lessee agrees to pay the rental sum on or before February 15, of each year.

That Lessee understands that if his application for a permit is accepted or approved prior to the natural termination date hereof, that he will still be obligated to pay the \$1260 per year rental for the full term hereof.

At such time as Lessee is notified that his new application for permit has been approved by the department, that he agrees that within sixty days thereafter he will sign any and all documents necessary to return the leased water rights back to Lessor.

7. Lessor shall not be liable for any damage to Lessee sustained by reason of any action of the Department effecting the shutdown of some or all irrigations operations by Lessee under the leased water rights to protect the water rights of other appropriators.

8. At the termination of the Lease, Lessee shall be responsible for all actions necessary to transfer the water right back to such place of use as shall be specified by Lessor.

9. This Lease shall be binding upon the respective heirs, executors, successors, and assigns of the Lessor and the Lessee.

DATED THIS 30th day of November, 1993.

LESSOR

Richard G. Nelson
RICHARD G. NELSON
Arthur Gene Nelson
ARTHUR GENE NELSON
Lela M. Nelson
LELA M. NELSON

LESSEE

Timothy P. Deeg
TIMOTHY P. DEEG
Diane J. Deeg
DIANE J. DEEG

STATE OF IDAHO)
) ss.
County of Power)

On this 30th day of November, 1993, before me, a Notary Public in and for said State, personally appeared RICHARD G. NELSON and ARTHUR GENE NELSON, co-personal representatives of the Estate of Farold J. Nelson, and LELA M. NELSON, surviving spouse of FAROLD J. NELSON, known 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.

(seal)



[Signature]
NOTARY PUBLIC FOR IDAHO
Residing at Am. Falls, ID
My Comm Exp. 4/19/98

STATE OF IDAHO)
) ss.
County of Power)

On this nd day of ^{December}~~November~~, 1993, before me, 'a
Notary Public in and for said State, personally appeared
TIMOTHY P. DEEG and DIANE J. DEEG, 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.

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

(seal)

Marlene Senary
NOTARY PUBLIC FOR IDAHO
Residing at Am. Falls, ID
My Comm Exp. 5-19-99

Instrument # _____
 Dwr # 8 2:30 PM
 Recd. of Tim Deeg
 OCT - 5 1992
 POWER COUNTY AM FALLS
 C. SCHREIBER
 BY Maureen Schreiber
 DEPUTY RD-1800

157948
50

LEASE

THIS AGREEMENT is made and entered into this 11th day of July, 1992, by and between OTTO DEEG and IDA DEEG husband and wife of 640 Teton St., American Falls, Idaho, hereinafter called "Lessor", and TIMOTHY P. DEEG and DIANE J. DEEG, husband and wife, 2957 Deeg Road, American Falls, Idaho, hereinafter called "Lessee".

WITNESSETH: For and in consideration of the covenants and agreements on the part of the Lessee herein to be paid, kept and performed, the Lessor has demised and leased and by these presents does demise and lease unto the Lessee the property described in Power County, Idaho, to wit:

Parcel A. Township 9 South, Range 30 E.B.M.,
 Section 1; Lots 1 & 2; S $\frac{1}{2}$ NE $\frac{1}{4}$; E $\frac{1}{2}$ SW $\frac{1}{4}$
 and SE $\frac{1}{4}$, LESS THE South 300' of SE $\frac{1}{4}$ SE $\frac{1}{4}$.

Parcel B. Township 9 South, Range 31 E.B.M.
 Section 6; Lots 4, 5, 6, & 7, and the
 NE $\frac{1}{4}$ SW $\frac{1}{4}$ and Tax #25 described as follows:
 Lot 7 and SE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 6
 except Tax #24. Containing 50.6 acres,
 more or less.

TERM: TO HAVE AND TO HOLD the above-described premises from the date hereof until December 31, 2012.

RENTAL: Lessee, for and in consideration of the leasing of the above-described real property, agrees to pay rental each year during the term of this demise the sum of \$22.25 per acre for crop years 1992 through crop year 1996, inclusive, based on 539.4 farmable acres for a total annual rental of \$12,000.00 per year. That said sum will be paid without interest at the rate of \$1,000 per month, commencing with the month of January 1992, for the 1992 crop year.

Lessor and Lessee agree that on March 15, 1997 they will adjust the rental to be paid for the next five (5) years of the lease to be equal to the average cash rent paid by then outstanding cash dry land farm rental agreements, both among private parties and the Idaho Dept. of Public Lands in the Rockland Valley area of Power County.

That on March 15, 2002 and on March 15, 2007 the rental shall be further adjusted to reflect the then existing cash rental conditions in the valley for similar lands.

DEVELOPMENT OPTION: Lessor understands and agrees that Lessee may, at Lessee's own expense and risk convert the subject property, or portions thereof, from dryland farming to irrigated farming. Lessee agrees to accomplish the

financing of said development by his own means and not rely in the faith and credit of Lessor or Lessor's real property, SAVE & EXCEPT that Lessee may grant a personal property security interest in the sprinkler components and crops to be grown on the premises.

ADDITIONAL TERMS AND CONDITIONS: Lessor and Lessee agree, that in addition to the foregoing, this indenture is made and entered into subject to the following additional terms and conditions:

A. LESSOR AGREES:

1. To pay an amount equal to the then prevailing dryland real property taxes levied or assessed against the premises during the full term of this demise.

2. To warrant and defend Lessee's possession of the premises and allow Lessee the peaceful possession of the same provided the Lessee is not in default hereunder.

3. To allow Lessee to remove all components of his irrigation system situate on the above described premises if the option to purchase hereinafter set out is not exercised.

B. LESSEE AGREES:

1. To pay the remaining property taxes not paid by Lessor.

2. To farm the said premises as a farm in a good and husbandlike manner and in accordance with prevailing farming practices in the community, including the use of proper crop rotation practices.

3. To surrender peaceful possession of the premises unto the Lessor upon the termination of this demise if the option to exercise is not granted.

4. Lessee agrees to dry farm such portions of the premises which it is practical to dry farm, such as corner areas which may not be irrigated under Lessee's irrigation system.

5. To pay all costs and expenses not hereinbefore listed to be paid by Lessor, and specifically including all electrical pumping expenses.

DEFAULT: In the event of failure upon the part of the Lessee to pay the rent herein set out to be paid to Lessor or failure of the Lessee to perform any other covenant and agreement on his part to be kept and performed, and after notice in writing to Lessee of such default and failure to

cure such default within thirty (30) days thereof, Lessor, at his option, may terminate this Lease. Upon Lease termination as set out herein, Lessee shall have one hundred twenty (120) days to remove to all sprinkler system components from the premises.

FARMSTEAD: That in addition to the real property above described, this lease includes the right to the use of the portion of the farmstead located adjacent to the above described lands as set out on Exhibit "A" attached and incorporated hereto.

OPTION OF FIRST REFUSAL ON SALE: Lessor agrees that should he ever desire to sell the subject premises that Lessee will be given the opportunity to match any offer received by Lessor for said properties. This right of first refusal shall continue and be effective during the term of this Lease. If Lessor desires to sell said property, or any portion thereof, and shall receive an offer to purchase that is acceptable to him, he shall so notify Lessee in writing and allow Lessee to meet said offer within thirty (30) days. If Lessee meets said offer, the premises will be sold to him. If Lessee is unable or unwilling to meet said offer, the premises may be sold to another free of this option, subject, however, to the remaining term of this lease and the option to purchase at end of lease term hereinafter set out.

RIGHT TO SUBLEASE AND HYPOTHECATE: Lessor agrees that Lessee may sublease any part or all of the subject premises and may pledge or assign his interest in growing crops to lending institutions for collateral purposes provided Lessors prior consent be first obtained.

RIGHT OF INSPECTION: Lessee agrees that Lessor shall have the right to travel upon and inspect the premises herein described for purposes of insuring Lessee's compliance herewith and for access to Lessor's other properties.

HEIRS AND ASSIGNS: The terms and conditions hereof shall extend to and bind the heirs, successors, personal representatives and assigns of the respective parties hereto.

OPTION TO PURCHASE: In consideration of Lessee agreeing to lease the above described premises for a fixed known rental with a cost of living adjustment and for a twenty (20) year term, thus eliminating the price and yield risk of Lessor, Lessor does hereby give, grant and set over to Lessee an irrevocable and exclusive option to purchase Lots 1 and 2; S $\frac{1}{4}$ NE $\frac{1}{4}$; and E $\frac{1}{4}$ SE $\frac{1}{4}$, less the South 300' of SE $\frac{1}{4}$ SE $\frac{1}{4}$ of

said Section 1, Township 9 South, Range 30, E.B.M; and Lots 4, 5, 6, & 7, and the NE $\frac{1}{4}$ SW $\frac{1}{4}$ and Tax #25, which is specifically described as follows: Tax #25, Lot 7 and SE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 6, EXCEPT Tax #24, all in Section 6, Township 9 South, Range 31 E.B.M., for the sum of \$300 per acre for the 370.31 farmable acres for a total sum of \$111,093.00 at closing, unless other payment terms are successfully negotiated between Lessor and Lessee. which is to be paid in cash at closing. This option may be exercised by Lessee at any time after the death of either of Lessors, or at the end of the term hereof, At closing, Lessor agrees to provide Lessee with a policy of title insurance showing good and marketable title in Lessor.

That Lessor understands that Lessee will be putting a sprinkler system on the W $\frac{1}{4}$ SE $\frac{1}{4}$ and E $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 1, Township 9 South, Range 30 E.B.M. That Lessor agrees that in the event Lessor (or Lessor's successors in interest) cannot agree on a purchase price for the same with Lessee that Lessor (or Lessors successor in interest) will pay to Lessee that sums necessary to defray the cost of removing Lessee's irrigation system from said property and assist in transferring the water right to said land to other lands owned by Lessee.

ATTORNEY'S FEES: That in the event it becomes necessary for either party to enforce his rights hereunder by an action at law or otherwise, the defaulting party agrees to pay in such case a reasonable attorney's fee that is incurred by such party.

PARTNERSHIP DISCLAIMER: This lease shall not be deemed to give rights to a partnership relation between Lessor and Lessee, and neither party shall have authority to obligate the other without written consent, except as specifically provided in this lease agreement. The Lessor represents and warrants that they have the right to lease the farm and will defend the Lessee's possession against any and all persons whomsoever.

BINDING EFFECT: This lease and the provisions hereof shall inure to and be binding upon the respective heirs, administrators, successors and assigns of the respective parties hereto.

REPRESENTATION: It is understood that this Lease has been prepared by counsel for the Lessee. Lessor acknowledges that he has been advised to seek independent legal counsel concerning any questions Lessor may have concerning the construction or effect of this Lease.

EXECUTION: That this Agreement is executed in duplicate, each to have the full force and effect of an original hereof.

CONSTRUCTION: That the words "Lessor" and "Lessee" and the language of this instrument, where there is more than one Lessor and Lessee, shall be construed as plural and be binding equally upon all such Lessors and Lessees, and in the case where one or more are females, the masculine shall include the feminine.

IN WITNESS WHEREOF, the parties hereto have set their hands and seals the day and year in this certificate first above written.

LESSOR

OTTO DEEG

IDA DEEG

LESSEE

TIMOTHY P. DEEG

DIANE J. DEEG

STATE OF IDAHO

County of Power

) ss.

On this 11th day of JUNE, 1992, before me, a Notary Public in and for said State, personally appeared OTTO DEEG and IDA DEEG, 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.

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

Ben Carones
Notary Public for Idaho
Residing at American Falls, ID

STATE OF IDAHO

County of Power

) ss.

On this 11th day of JUNE, 1992, before me, a Notary Public in and for said State, personally appeared TIMOTHY P. DEEG and DIANE J. DEEG, 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.

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

Ben Carones
Notary Public for Idaho
Residing at American Falls, ID

EXHIBIT "A"

OTTO DEEG/TIM DEEG

A tract of land 300' North to South by 1,320' East to West, more or less, along the southern edge of the SE $\frac{1}{4}$ SE $\frac{1}{4}$ in Section 1, Township 9 South, Range 30 E.B.M., Power County, Idaho.

MAKE CHECK PAYABLE TO:
POWER COUNTY TAX COLLECTOR
COURTHOUSE 543 BANNOCK
AMERICAN FALLS
IDAHO 83211

2002 TAX BILL/RECEIPT

PARCEL NUMBER
RPD1724-01 A
3,405
179,850

BILL# 5784 CODE AREA 3-00

L
I
TOT MV 183,255
HM- 50,000
NET MV 133,255
TOT ACS 11.700

1ST HALF DUE
TAX 1,015.97
LATE
INT
COST
TOT

2ND HALF DUE
TAX 1,015.97
LATE
INT
COST
TOT

FULL DUE
TAX 2,031.94
LATE
INT
COST
TOT

DEEG TIMOTHY P ET-UX
2957 W DEEG ROAD
AMERICAN FALLS ID 83211

S6 T9S R31E
T-23

TAXING DISTRICT	RATE	AMOUNT
STATE	.000000000	
POWER COUNTY	.003669746	489.00
SCHOOL #381	.007322111	975.70
COUNTY HWY	.002466232	328.64
FALLSVIEW CEM	.000216778	28.88
A.F. FIRE	.000175254	23.34
AF LIBRARY	.000368254	49.06
HOSPITAL DIST	.000803437	107.06
AMBULANCE DIST	.000227116	30.26
AMOUNT DUE	.015248928	2,031.94

2957 W DEEG ROAD 83211

PAID
DEC 11 2002

1st half ck #2005
cw

*** IMPORTANT ***
PLEASE READ BOTH FRONT AND BACK
*** MONTHLY PAYMENTS ARE ACCEPTED ***

PAYMENTS RECEIVED WITH A DELINQUENCY WILL BE
APPLIED TO THE OLDEST DELINQUENT YEAR.

TO AVOID LATE CHARGES, PAYMENTS MUST BE
RECEIVED OR POSTMARKED BY THE DUE DATE.

KEEP TOP PORTION FOR YOUR RECORDS.

PERSONAL CHECKS ARE YOUR RECEIPT
SUBJECT TO BANK CLEARANCE.

LEVY SHEETS ARE AVAILABLE IN TREASURER'S OFFICE
RECEIPT GIVEN SUBJECT TO CLEARANCE OF YOUR CHECK

FOR PROPER CREDIT THIS STUB MUST BE RETURNED WITH PAYMENT
PERSONAL CHECKS ARE SUBJECT TO BANK CLEARANCE

DEEG, TIMOTHY P. ET-UX

2002
5784



AMOUNT DUE 1,015.97

POWER COUNTY
RPD1724-01 A
3-00

LATE
INT
COST
TOT

DELINQUENT IF NOT PAID ON OR BEFORE

JUNE 20, 2003

DATE PAID
PAID BY

CHECK #
CASH

MAKE CHECK PAYABLE TO:
POWER COUNTY TAX COLLECTOR
COURTHOUSE 543 BANNOCK
AMERICAN FALLS
IDAHO 83211

2002 TAX BILL/RECEIPT

PARCEL NUMBER
RPD1576-00 A
36,872
71,480

BILL# 5617 CODE AREA 3-00

L
I

1ST HALF DUE
TAX 805.37
LATE
INT
COST
TOT

2ND HALF DUE
TAX 805.37
LATE
INT
COST
TOT

FULL DUE
TAX 1,610.74
LATE
INT
COST
TOT

TOT MV 108,352
HM- 11,770
NET MV 96,582
WAC 1.000
TOT ACS 79.000

DEEG OTTO
640 TETON
AMERICAN FALLS ID 83211

S1 T9S R30E
E2SE,

TAXING DISTRICT	RATE	AMOUNT
STATE	.000000000	
POWER COUNTY	.003669746	354.42
SCHOOL #381	.007322111	707.18
COUNTY HWY	.002466232	238.18
FALLSVIEW CEM	.000216778	20.94
A.F. FIRE	.000175254	16.92
AF LIBRARY	.000368254	35.56
HOSPITAL DIST	.000803437	77.60
AMBULANCE DIST	.000227116	21.94
DISTRICT TOTAL	.015248928	1,472.74
LANDFILL FEE		138.00
AMOUNT DUE		1,610.74

3301 W CHRISTENSEN RD 83211

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Tim's

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DEEG, OTTO

2002
5617



AMOUNT DUE

805.37

POWER COUNTY
RPD1576-00 A
3-00

LATE
INT
COST
TOT

DELINQUENT IF NOT PAID ON OR BEFORE

JUNE 20, 2003

DATE PAID
PAID BY

CHECK #
CASH

MAKE CHECK PAYABLE TO:
POWER COUNTY TAX COLLECTOR
COURTHOUSE 543 BANNOCK
AMERICAN FALLS
IDAHO 83211

2002 TAX BILL/RECEIPT

PARCEL NUMBER
RPD1574-00
113,470

BILL# 5615 CODE ARE 3-00 L

1ST HALF DUE
TAX 865.13
LATE
INT
COST
TOT

2ND HALF DUE
TAX 865.13
LATE
INT
COST
TOT

FULL DUE
TAX 1,730.26
LATE
INT
COST
TOT

TOT MV 113,470
WAC 3.620
TOT ACS 317.000

DEEG OTTO
640 TETON
AMERICAN FALLS ID 83211

S1 T9S R30E
LOTS 1,2, S2NE, E2SW, W2SE,

TAXING DISTRICT	RATE	AMOUNT
STATE	.000000000	
POWER COUNTY	.003669746	416.40
SCHOOL #381	.007322111	830.84
COUNTY HWY	.002466232	279.84
FALLSVIEW CEM	.000216778	24.60
A.F. FIRE	.000175254	19.88
AF LIBRARY	.000368254	41.78
HOSPITAL DIST	.000803437	91.16
AMBULANCE DIST	.000227116	25.76
AMOUNT DUE	.015248928	1,730.26

PAID
DEC 13 2002

1st half on all parcels
Times CK# 2084 TK

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DEEG, OTTO

2002
5615



AMOUNT DUE

865.13

POWER COUNTY
RPD1574-00 A
3-00

LATE
INT
COST
TOT

DELINQUENT IF NOT PAID ON OR BEFORE

JUNE 20, 2003

DATE PAID
PAID BY

CHECK #
CASH

MAKE CHECK PAYABLE TO:
POWER COUNTY TAX COLLECTOR
COURTHOUSE 543 BANNOCK
AMERICAN FALLS
IDAHO 83211

2002 TAX BILL/RECEIPT

PARCEL NUMBER
RPD1724-00
59,20

BILL# 5783 CODE AR 3-00 L

1ST HALF DUE
TAX 451.37
LATE
INT
COST
TOT

2ND HALF DUE
TAX 451.37
LATE
INT
COST
TOT

FULL DUE
TAX 902.74
LATE
INT
COST
TOT

TOT MV 59,20
WAC 10.30
TOT ACS 144.00

DEEG OTTO
640 TETQN
AMERICAN FALLS ID 83211

S6 T9S R31E
LOTS 4,5,6, NESW, T-25,
PT OF LOT 7,

TAXING DISTRICT	RATE	AMOUNT
STATE	.000000000	
POWER COUNTY	.003669746	217.20
SCHOOL #381	.007322111	433.40
COUNTY HWY	.002466232	146.00
FALLSVIEW CEM	.000216778	12.80
A.F. FIRE	.000175254	10.30
AF LIBRARY	.000368254	21.80
HOSPITAL DIST	.000803437	47.50
AMBULANCE DIST	.000227116	13.40
AMOUNT DUE	.015248928	902.74

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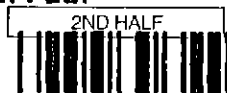
DEEG, OTTO

2002
5783



AMOUNT DUE

451.37



POWER COUNTY
RPD1724-00 A
3-00

LATE
INT
COST
TOT

DELINQUENT IF NOT PAID ON OR BEFORE

JUNE 20, 2003

DATE PAID
PAID BY

CHECK #
CASH

MAKE CHECK PAYABLE TO:
POWER COUNTY TAX COLLECTOR
COURTHOUSE 543 BANNOCK
AMERICAN FALLS
IDAHO 83211

2002 TAX BILL/RECEIPT

PARCEL NUMBER
RPD1620-00
86,373

BILL# 5665 CODE AR 3-00 L

1ST HALF DUE
TAX 658.54
LATE
INT
COST
TOT

2ND HALF DUE
TAX 658.54
LATE
INT
COST
TOT

FULL DUE
TAX 1,317.08
LATE
INT
COST
TOT

TOT MV 86,373
WAC 2.000
TOT ACS 358.000

DEEG OTTO ETUX
640 TETON
AMERICAN FALLS ID 83211

S12 T9S R30E
S2NW; NENW; W2E2; E2SW

TAXING DISTRICT	RATE	AMOUNT
STATE	.000000000	
POWER COUNTY	.003669746	316.96
SCHOOL #381	.007322111	632.42
COUNTY HWY	.002466232	213.02
FALLSVIEW CEM	.000216778	18.72
A.F. FIRE	.000175254	15.14
AF LIBRARY	.000368254	31.80
HOSPITAL DIST	.000803437	69.40
AMBULANCE DIST	.000227116	19.62
AMOUNT DUE	.015248928	1,317.08

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LEVY SHEETS ARE AVAILABLE IN TREASURER'S OFFICE
RECEIPT GIVEN SUBJECT TO CLEARANCE OF YOUR CHECK

Stevens