

**Base Property Lease Agreement  
Between the Arizona Game and Fish Commission  
And JH Cattle Company, LLC  
RO6-11-1202TH**

This Base Property Lease Agreement (“Agreement”) is entered into between the Arizona Game and Fish Commission (“Lessor”) and JH Cattle Company, LLC, bona fide livestock operators (“Lessee”), collectively the Parties (singular Party).

WHEREAS, the Lessor is authorized to enter into this Agreement pursuant to A.R.S. §§ 17-231(B)(7) and 17-241(B);

WHEREAS, the Lessor has statewide responsibility for wildlife management for the conservation and propagation of wildlife;

WHEREAS, the Arizona Game and Fish Department (“Department”) acts under the authority of the Lessor;

WHEREAS, the Lessor has acquired real property in Yavapai County known as the Horseshoe Ranch (“Base Property”) for the purposes of wildlife and fisheries management, and habitat improvement;

WHEREAS, included with the acquisition of the Ranch is approximately 68,287 acres of United States Forest Service (“Forest Service”) and United States Department of Interior, Bureau of Land Management (“BLM”) federal grazing allotments that under agreements HAB-10-1009AML / BLM AZ-2011-04-06 are assigned to the Horseshoe Ranch as Base Property. These federal grazing allotments are the BLM’s Horseshoe Allotment and the Forest Service’s Copper Creek Allotment (collectively the “Allotments”).

WHEREAS, the Lessor purchased the Base Property, the value of the associated Allotments and improvements with a variety of public and private funds, some of which place limitations on the manner in which the property is to be managed;

WHEREAS, at the direction of the Lessor, the Department, the BLM and the Forest Service have entered into an agreement to develop and establish a Coordinated Resource Management Planning process and team to guide management of the Allotments;

WHEREAS, it is the intent as expressed in agreements HAB-10-1009AML / BLM AZ-2011-04-06 that the Allotments be used for grazing livestock, along with other multiple use purposes, and that these lands be made available on a term basis to a bona fide livestock operator under a lease of the Base Property for livestock grazing;

NOW, THEREFORE, it is the agreement of the Parties as follows:

**1. Lease.** Subject to the terms of Permissible Use, Lessor leases to Lessee to occupy and use the Base Property and the public land improvements for a term of three (3) years, to

commence on Feb. 1, 2012 and to end on Jun. 31, 2015. Lessee agrees to pay, without demand, to Lessor \$ 200.00 as monthly rent for the Base Property and a monthly Fee of \$ 5.50 per month per animal for livestock using the Allotments or the Base Property. For the purpose of the Fee, an animal is considered any individual cattle or horse, except that calves or foals less than 12 months of age, accompanying their mother, shall not count in this total. No livestock other than cattle or horses will initially be authorized. The Fee amount shall apply for the first year (12 months) of the Agreement, with an annual review by the Parties to be conducted approximately 10 months after the signing of the Agreement for the purpose of adjusting the Fee as deemed appropriate by the Department. Rent and Fees are to be paid on the first day of the month to the Department at 5000 West Carefree Highway, Phoenix, Arizona 85086. If the Rent and Fees are unpaid fifteen days past due, the Lessee shall pay a late penalty of 10% of any past due amount.

**2. Permissible Use.** The Base Property may be used solely in support of a livestock operation on the federal grazing Allotments. Lessor will provide Lessee access to the Ranch and use of Lessor's structures, facilities and equipment as set forth in Exhibit A, but only to the extent Lessee's use does not interfere with Lessor's use and operation of the property.

**3. Delivery of Possession.** Lessor will deliver possession of the Base Property to Lessee "AS-IS" in its present condition. Lessee acknowledges neither the Lessor, the Department, its employees or agents have made any representation or warranties as to the suitability or fitness of the Base Property for Lessor's intended use, nor has the Lessor, the Department, its employees or agents agreed to undertake any alterations or construct any improvements.

**4. Water Rights.** Water for Lessee's livestock operation used under Lessor's water rights as set forth in Exhibit B shall be used only for the purposes for which those water rights are appropriated or acquired. The Lessee may make no change to the water rights or use of water without the Lessor's express written authorization. Lessor assumes no responsibility to Lessee for any water shortage from any source of water under Lessor's water rights, nor does Lessor warrant the quality or quantity of water obtained from any source.

**5. Utilities.** The Lessor will assume the cost of providing the water and electrical utilities at the Base Property for the Lessee's reasonable and prudent use. Lessee will be responsible for reimbursing the Lessor for the cost of the Lessee's utilities that the Department deems excessive.

**6. Coordinated Resource Management Plan ("CRMP").** The Lessee agrees to cooperate and participate with the Department, the Forest Service and the BLM in developing the CRMP for the Allotments. The Lessee further agrees to conform its livestock operation and use of the Allotments to the CRMP and to cooperate with the Department in implementing the CRMP, monitoring the results of the CRMP and making adaptations to the CRMP. The Lessee shall cooperate with the Department to inspect the Base Property, Allotment improvements and Allotment range conditions on a regular basis, consult with the Department to assess the effectiveness of the CRMP and cooperate in resolving outstanding issues. The Parties agree to meet at least annually to develop an agreed upon Prospective Annual Operating Plan ("PAOP") prior to meeting with the land management agencies responsible for the Allotments. The Parties

agree to develop the PAOP in conjunction with input from the CRMP team. The Lessee shall accept the CRMP and CRMP team recommendations with respect to resource management.

**7. Protection of Natural Resources.** The Lessee shall not cause damage to any natural resources on the Base Property or Allotments and shall take due care to prevent livestock from using or causing damage to riparian areas, domestic water sources and sensitive habitats.

**8. Federal Grazing Leases.** Lessee shall comply with applicable laws and regulations for the federal grazing permits associated with the Allotments, meet all eligibility and operational standard requirements, including reporting requirements, and pay all required permit fees, assessments and associated costs. The Lessee shall provide the Department with copies of all reports submitted to the BLM and/or Forest Service. The Lessee shall own and maintain a disease-free livestock herd and be responsible for any livestock procurement, operations and maintenance costs. The Lessee shall manage dead or diseased livestock in accordance with best management practices and in consultation with the appropriate land management agency range staff.

The Lessee shall cooperate with the Department, the BLM, the Forest Service, and the CRMP team in monitoring forage production, utilization, and similar range health and trend indicators, along with wildlife habitat condition indicators, and to jointly use the results of such monitoring in an adaptive management process to establish the livestock management protocols to be implemented on the Allotments.

The Lessee shall follow the livestock management protocols established through the BLM's or Forest Service's Annual Operating Plan or as revised through the CRMP adaptive management process. Lessee shall not deviate from these plans or processes without notice to the Department and the express written approval of the Department and the appropriate land management agency.

The Lessee shall promptly retrieve Lessee's livestock that have escaped a currently authorized pasture and return the escaped livestock to the appropriate pasture and make necessary repairs or modifications to prevent another escape.

The Lessee shall work with the Department, the BLM, the Forest Service and the CRMP team to identify habitat and rangeland system improvements, such as improvements to water sources and their distribution systems to maximize the efficiency and benefit to all uses.

The Lessee shall register the historic "Horseshoe Ranch" brand, under license from the Department, with the Lessee's applications for the grazing permits. Lessee is encouraged to use the brand in marking the livestock grazing on the Allotments whenever new branding is required.

**9. Responsibility for Repairs.** Lessee shall keep the structures, facilities equipment and improvements the Lessee uses in its livestock operation in the same condition or better as that when received, ordinary wear and tear excepted. The Lessee agrees that with any repair or improvement, the Lessee will incorporate "wildlife-friendly" features that the Department recommends. Lessee shall maintain all structures, facilities, equipment and improvements in

good working order and in a manner to preserve their value. The Lessee shall ensure a safe and wholesome environment and correct or remove any unsafe, unsanitary, or otherwise objectionable condition attributable to their uses on the Base Property. The Lessee shall coordinate with the Department with respect to any significant modifications to the Base Property, including any structure, facility, equipment or improvement. Lessee agrees that it will defer to the Department's requirements for the Lessee's use and access to the Base Property. Lessor shall make all repairs, replacements or improvements to the Base Property that become necessary due to conditions unrelated to the Lessee's livestock operation and beyond the control of the Lessee.

**10. Failure to Make Repairs.** The Parties agree that if Lessee does not fulfill its duty to repair, the Lessor after fourteen (14) calendar day notice may (i) cause repairs to be made, the cost to be borne by the Lessee and to be paid in addition to Rent and Fees and (ii) terminate the Lease for Lessee's material breach by failing to make the necessary repairs within the notice period.

**11. Improvements.** The Lessee shall not improve or alter the Base Property or public land improvements in any manner without the Lessor's prior written consent. Before making any improvements or alterations, the Lessee shall submit plans and designs for such improvements or alterations to Lessor for approval. All improvements or alterations that Lessee makes on the property shall on the expiration or earlier termination of the lease belong to the Lessor without compensation to the Lessor, however, Lessor shall have the option to require the Lessee to remove any or all the improvements or alterations.

**12. Lessor's Rights.** The Lessor reserves the right to use and occupy the Base Property for Lessor's own purposes and reserves the right of entry during the term of this lease to enter all parts of the Base Property. The Lessor reserves exclusive use and occupancy of that portion of the Ranch set forth in Exhibit C.

**13. Return of Subject Property to the Commission.** Upon vacating the Base Property, the Lessee shall leave the premises in good condition allowing for ordinary and normal usage during occupancy, and to reimburse the Lessor for any damage done to the Base Property caused by the Lessee's occupation, other than due to normal use. Nothing herein shall be deemed a waiver of any rights of the Lessor to demand and obtain possession of the Base Property in accordance with the terms and conditions of this Agreement in the event of a violation of this Agreement.

**14. Indemnification and Liability to Third Persons.** Lessee shall indemnify, defend, save and hold harmless the State of Arizona, its departments, agencies, boards, commissions and its officers, officials, agents and employees (Indemnitees) from and against any and all claims, actions, liabilities, damages, losses, or expenses (including court costs, attorney's fees, and costs of claim processing, investigation and litigation) (hereinafter referred to as "Claims") for bodily injury or personal injury (including death), or loss or damage to tangible or intangible property caused, or alleged to be caused, in whole or in part, by the negligent or willful acts or omissions of Lessee or any of Lessee's owners, officers, directors, agents, subcontractors, employees or family members. This indemnity includes any claim or amount arising out of or recovered under the Workers' Compensation Law or arising out of the failure of the Lessee to conform to any

federal, state or local law, statute ordinance, rule, regulation or court decree. It is the specific intention of the Parties that the Indemnitee shall, in all instances, except for Claims arising solely from the negligent acts or omissions of the Indemnitee, be indemnified by the Lessee from and against any and all Claims. It is agreed that Lessee will be responsible for primary loss investigation, defense and judgment costs where this indemnification is applicable. In consideration of this Agreement, the Lessee, agrees to waive all rights of subrogation against the Indemnitees for losses arising from the Lessee's use of the Base Property or any of Lessor's personal property or improvements.

**15. Insurance Requirements.** Lessee shall procure and maintain until all of their obligations have been discharged, including any warranty periods under the Agreement, are satisfied, insurance against all claims for injury to persons or damage to property, including property used by the Lessee set forth in Exhibit A, which may arise from or in connection with the performance of the work hereunder by the Lessee, his agents, representative, employees or subcontractors.

The insurance requirements herein are minimum requirements for this Agreement and in no way limit the indemnity covenants contained in this Agreement. The State of Arizona in no way warrants that the minimum limits contained herein are sufficient to protect the Lessee from liabilities that might arise out of the performance of the work under this Agreement by the Lessee, its agents, representatives, employees or subcontractors, and the Lessee is free to purchase additional insurance.

**A. MINIMUM SCOPE AND LIMITS OF INSURANCE:** Lessee shall provide coverage with limits of liability not less than those stated below.

**1. Commercial General Liability – Occurrence Form**

Policy shall include bodily injury, property damage, personal injury and broad form contractual liability coverage.

General Aggregate	\$2,000,000	
Products – Completed Operations Aggregate		\$1,000,000
Personal and Advertising Injury	\$1,000,000	
Blanket Contractual Liability – Written and Oral		\$1,000,000
Fire Legal Liability	\$ 50,000	
Each Occurrence	\$1,000,000	

- a. The policy shall be endorsed to include the following additional insured language:  
*“The State of Arizona, its departments, agencies, boards, commissions, universities and its officers, officials, agents, and employees shall be named as additional insureds with respect to liability arising out of the activities performed by or on behalf of the Lessee.”*
- b. Policy shall contain a waiver of subrogation against the State of Arizona, its departments, agencies, boards, commissions, universities and its officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Lessee.

2. **Business Automobile Liability:**

Bodily Injury and Property Damage for any owned, hired, and/or non-owned vehicles used in the performance of this Agreement.

Combined Single Limit (CSL) \$1,000,000

- a. The policy shall be endorsed to include the following additional insured language: *"The State of Arizona, its departments, agencies, boards, commissions, universities and its officers, officials, agents, and employees shall be named as additional insureds with respect to liability arising out of the activities performed by or on behalf of the Lessee, involving automobiles owned, leased, hired or borrowed by the Lessee."*
- b. Policy shall contain a waiver of subrogation against the State of Arizona, as departments, agencies, boards, commissions, universities and its officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Lessee.

3. **Worker's Compensation and Employers' Liability:**

Each Accident \$ 500,000

Disease – Each Employee \$ 500,000

Disease – Policy Limit \$1,000,000

- a. Policy shall contain a waiver of subrogation against the State of Arizona, its departments, agencies, boards, commissions, universities and its officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Lessee.
- b. This requirement shall not apply to: Separately, EACH lessee or subcontractor exempt under A.R.S. § 23-901, AND when such lessee or subcontractor executes the appropriate waiver (Sole Proprietor/Independent Contractor) form.

**B. ADDITIONAL INSURANCE REQUIREMENTS:** The policies shall include, or be endorsed to include, the following provisions:

1. The State of Arizona, its departments, agencies, boards, commissions, universities and its officers, officials, agents, and employees wherever additional insured status is required. Such additional insured shall be covered to the full limits of liability purchased by the Lessee, even if those limits of liability are in excess of those required by this Agreement.
2. The Lessee's insurance coverage shall be primary insurance with respect to all other available sources.
3. Coverage provided by the Lessee shall not be limited to the liability assumed under the indemnification provisions of this Agreement.

**C. NOTICE OF CANCELLATION:** With the exception of (10) day notice of cancellation for non-payment of premium, any changes material to compliance with this contract in the insurance policies above shall require (30) days written notice to the State of Arizona. Such notice shall be sent directly to the name and address provided herein for notices and shall be sent by certified mail, return receipt requested.

**D. ACCEPTABILITY OF INSURERS:** Insurance is to be placed with duly licensed or approved non-admitted insurers in the state of Arizona with an "A.M. Best" rating of not less than A- VII. The State of Arizona in no way warrants that the above-required minimum insurer rating is sufficient to protect the Lessee from potential insurer insolvency.

**E. VERIFICATION OF COVERAGE:** Lessee shall furnish the State of Arizona with certificates of insurance (ACORD form or equivalent approved by the State of Arizona) as required by this Agreement. The certificates for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf.

All certificates and endorsements are to be received and approved by the State of Arizona before the lease commences. Each insurance policy required by this Agreement must be in effect at or prior to commencement of the lease and remain in effect for the term of the lease. Failure to maintain the insurance policies as required by this Agreement, or to provide evidence of renewal, is a material breach of the Agreement.

All certificates required by this Agreement shall be sent directly to name and address for notices. The number designated for this Agreement shall be noted on the certificate of insurance. The State of Arizona reserves the right to require complete, certified copies of all insurance policies required by this Agreement at any time. **DO NOT SEND CERTIFICATES OF INSURANCE TO THE STATE OF ARIZONA'S RISK MANAGEMENT DIVISION.**

**F. SUBCONTRACTORS:** Lessee's certificate(s) shall include all subcontractors as insureds under its policies or Lessee shall furnish to the State of Arizona separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to the minimum requirements identified above.

**G. APPROVAL:** Any modification or variation from the insurance requirements in this Agreement shall be made by the contracting agency in consultation with the Department of Administration, Risk Management Division. Such action will not require a formal amendment, but may be made by administrative action.

**H. EXCEPTIONS:** In the event the Lessee or sub-contractor(s) is/are a public entity, then the Insurance Requirements shall not apply. Such public entity shall provide a Certificate of Self-insurance. If the Lessee or sub-contractor(s) is/are a State of Arizona agency, board, commission, or university, none of the above shall apply.

**16. Compliance with Environmental Laws/Hazardous Materials on the Premises.** Lessee agrees that during the term of the lease, neither Lessee nor any of Lessee's agents, employees, contractors or invitees shall cause any hazardous material as defined herein to be brought on, kept, or used in, on, or about the leased premises, or transported to or from the premises without Lessor's prior written consent. Lessee shall indemnify and hold harmless the State of Arizona, its departments, agencies, boards, commissions and its officers, officials, agents and employees from and against all liabilities, costs, charges and expenses, including attorneys' fees and court costs arising out of or related to release or threatened release of any regulated, hazardous or toxic substance or pollutant under any applicable federal, state or local

environmental law or regulation arising out of (a) Lessee's use or occupancy of the subject property before or after the date of commencement of this Agreement; or (b) any release or threatened release of any such substance or pollutant in, on, under or from said subject property that is caused, in whole or in part, by any conduct, actions or negligence of the Lessee, regardless of when such substance came to be located on the subject property.

For the purposes of this Agreement, the terms "substances or pollutants", shall include substances or pollutants defined as "regulated substances", "hazardous waste", "hazardous substances", "hazardous materials", "toxic substances" or "pesticides" in the Resource Conservation and Recovery Act, as amended by the Hazardous and Solid Waste Amendments of 1984, the Comprehensive Environmental Response, Compensation and Liability Act, the Hazardous Materials Transportation Act, the Toxic Substances Control Act, the Federal Insecticide, Fungicide and Rodenticide Act, the Oil Pollution Act and relevant local and state environmental laws. This indemnification shall include, without limitation, claims or damages arising out of any violations of applicable environmental laws or regulations, regardless of any alleged strict liability on the part of the Commission as an owner of land. This environmental indemnity shall survive the expiration or termination of this Agreement and shall be governed by the laws of the State of Arizona.

**17. Liens.** Lessee shall pay or settle all expenses and liabilities arising out of or in connection with any construction, repair, alteration or maintenance of any building or other structure on the Base Property. The Lessee shall keep the Base Property and the buildings or structures on the Base Property free and clear of all liens or encumbrances arising out of the construction, repair, alteration or maintenance of such structures.

**18. Assignment or Subletting.** Lessee shall not assign this Lease Agreement or any interest in this Lease Agreement, nor sublet the Base Property or any part of the Base Property, the federal grazing allotments and their improvements, without Lessor's prior express written consent that may be withheld in Lessor's sole and unfettered discretion. Lessee shall also not permit, without the Lessor's prior express written consent, that may be withheld in Lessor's sole and unfettered discretion, the Base Property to be occupied by any other person or persons other than Lessee's employees, officers and the officer's immediate family members.

**19. Lessor's Remedies on Default by Lessee.** Lessee agrees that if it should be in default of the performance of any of the terms, covenants, or conditions of this Agreement, or have otherwise breached this Agreement, Lessor may, in addition to every remedy now or later available at law or in equity, have the rights and remedies set forth in this Agreement, which shall be deemed cumulative and not exclusive of those available at law or in equity. Lessor shall have the right to terminate this Agreement upon Lessee's default or breach. Lessor shall have right to remove all property and persons on the Base Property and store or hold at Lessee's expense all property removed.

**20. Events of Default.** The following events are referred to collectively as "Events of Default" or individually as "Event of Default": (1) Lessee defaults in the due and punctual payment of Rent and Fees, and such default continues for five (5) days after written notice from the Lessor; (2) Lessee vacates or abandons the Base Property or Allotments; (3) Voluntary or

involuntary proceedings under any bankruptcy or insolvency or for reorganization under the bankruptcy laws of the United State or insolvency act of the any state or for the dissolution of Lessee are instituted against Lessee, or a receiver or trustee is appointed for all or substantially all of the Lessee's property, and such proceeding is not dismissed or such receivership or trusteeship vacated within sixty (60) days after such institution or appointment; (4) Lessee purports to assign the Lease or sublet all or a portion of the Base Property, in violation of the terms herein; (5) Lessee breaches any of the other agreements, terms, covenants or conditions which this Agreement requires Lessee to perform and such breach continues for a period of ten (10) days, unless the Lessee diligently commences to cure the breach within ten (10) days after written notice from the Lessor.

**21. End of Term.** Upon expiration or the earlier termination of this Agreement, Lessee shall surrender the Base Property to the Lessor. Within sixty (60) days following the expiration of termination of this Lease, Lessee shall remove all of its equipment or trade fixtures constructed or installed pursuant to this Agreement. Lessee shall also restore the property to no less than its original condition as of the commencement date, reasonable wear and tear excepted. If within sixty (60) days after the expiration or termination of this Agreement, Lessee has not removed its property and restored the Base Property as required herein, Lessor may do so and Lessee shall reimburse the Lessor for all expenses and costs for removal and restoration. Lessee's obligations under this Section shall survive the expiration of or termination of this Agreement.

**22. Amendments.** This Agreement is issued under the authority of the Lessor who signed this Agreement. The Agreement may be modified only through a written amendment. Changes to the Agreement directed by a person who is not specifically authorized by the Lessor in writing or made unilaterally by the Lessee are violations of the Agreement and of applicable law. Such changes, including unauthorized written amendments shall be void and without effect, and the Lessee shall not be entitled to any claim under this Agreement based on those changes.

**23. Relationship of Parties.** Nothing contained in this Agreement shall be deemed or construed by the Parties or by any third party as creating the relationship of principal and agent or of partnership or of joint venture between the parties.

**24. Effective Date, Duration and Renewal.** This Agreement is effective as of the last signature date and expires three (3) years from that date. This Agreement is not automatically renewable, but may be renewed at the discretion of the Lessor.

**25. Termination Generally.** Either Party may terminate this Agreement upon thirty (30) days' written notice to the other Party. Upon termination, all rights and assignments conferred under this Agreement are rescinded and all work performed pursuant to this Agreement shall cease.

**26. Notices.** All written notices concerning this Agreement shall be delivered in person or sent by certified mail, return receipt requested, to the Parties as follows:

- A. For the Lessor:  
Arizona Game and Fish Department  
Land and Water Program  
5000 W. Carefree Highway  
Phoenix, Arizona 85086
  
- B. For the Lessee  
JH Cattle Company, LLC  
P.O. Box 4162  
Cave Creek, AZ 85327

**27. Abandonment.** In the event the Lessee should abandon this Agreement prior to its automatic termination, the Agreement shall become void, and the right to use the Base Property and all rights of the Lessee under this Agreement shall terminate, and Lessee further agrees to timely execute and deliver a complete release of all rights, titles and interest under the Agreement to the Lessor.

**28. Strict Performance.** It is agreed and understood that failure of the State of Arizona or Lessor to require strict performance of the terms, covenants, agreements, and conditions of this Agreement shall not constitute a waiver or relinquishment of the right of the State or Arizona or Lessor to strictly enforce such terms, covenants, or conditions which shall, at all time, continue in full force and effect.

**29. Option for Agreement Termination by Lessor Due to Noncompliance.** As set forth in Section 18, in the event that the Lessee fails to correct any default or fails to be in full compliance with the terms and conditions of this Agreement within five (5) days after written notice thereof by the Lessor, then this Agreement and any and all of Lessor's obligations hereunder shall terminate at the option of the Lessor without prejudice to the right of the Lessor to jointly and severally recover from Lessee all damages incurred as a result of the default. A waiver by the Lessor of any default on behalf of the Lessee or any extension of time granted to the Lessee to cure any default shall not constitute a waiver of the requirement that time is of the essence of this Agreement.

**30. Arbitration.** Unless seeking an injunction and to the extent required pursuant to A.R.S. § 12-1518, the parties agree to use arbitration to resolve any dispute arising out of this Agreement, with each Party to bear its own attorneys' fees and costs.

**31. Non-discrimination.** In carrying out the terms of this Agreement, the Lessor shall comply with Executive Order 2009-09 and all other applicable Federal and State laws, rules and regulations, including the Americans with Disabilities Act.

**32. Audit.** Pursuant to A.R.S. § 35-214, at any time during the term of this Agreement and five (5) years thereafter, the Lessor's books, accounts, reports, files, electronic data, and other records relating to this Agreement shall be subject to audit by the State of Arizona, and where applicable, the Federal Government.

**33. Termination for Conflict of Interest.** Pursuant to A.R.S. § 38-511, the State may cancel this Agreement within three (3) years after execution without penalty or further obligation if any person significantly involved in initiating, negotiating, securing, drafting or creating the Agreement on behalf of the State is or becomes at any time while the Agreement or an extension of the Agreement is in effect an employee or a consultant to any other party to this Agreement with respect to the subject matter of the Agreement. The cancellation shall be effective when the Lessee receives written notice of the cancellation unless the notice specifies a later time.

**34. Termination for Non-Availability of Funds.** Every obligation of the Lessor under this Agreement is conditioned upon the availability of funds appropriated or allocated for the payment of such obligation. If funds for the continuance of this Agreement are not allocated or are not available, this Agreement shall terminate automatically on the date of expiration of funding. In the event of such termination, the Lessor shall incur no further obligation or liability under this Agreement other than for payment of services rendered prior to the expiration of funding.

**35. Other Agreements.** This Agreement in no way restricts either Party from participating in similar activities with other public or private agencies, organizations, or individuals.

**36. Compliance with Applicable Law.** All work performed pursuant to this Agreement shall be in compliance with all applicable state and federal laws and regulations. The Parties hereby stipulate to the exclusive jurisdiction and venue of the Maricopa County Superior Court in Phoenix, Arizona.

**37. Integration.** This Agreement constitutes the entire agreement between the Parties pertaining to the subject matter herein and accurately sets forth the rights, duties, and obligations of each Party. All prior or contemporaneous agreements and understandings, oral or written, are hereby superseded and merged herein. The provisions of this Agreement may be abrogated, modified, rescinded, or amended in whole or in part only by mutual written consent executed by the Parties.

**38. Severability.** In the event that any provision of this Agreement or portion thereof is held invalid, illegal, or unenforceable, such provision or portion thereof shall be severed from this Agreement and shall have no effect on the remaining provisions of this Agreement, which shall remain in full force and effect.

**39. Federal Immigration and Nationality Act.** By entering into the Agreement, the Lessee warrants compliance with the Federal Immigration and Nationality Act (“FINA”) and all other Federal immigration laws and regulations related to the immigration status of its employees. The Lessee shall obtain statements from its subcontractors certifying compliance and shall furnish the statements to the Procurement Officer upon request. These warranties shall remain in effect through the term of the Agreement. The Lessee and its subcontractors shall also maintain Employment Eligibility Verification forms (I-9) as required by the U.S. Department of Labor's Immigration and Control Act, for all employees performing work under the Agreement. I-9 forms are available for download at USCIS.GOV. The State may request verification of compliance for any Lessee or subcontractor performing work under the Agreement. Should the

State suspect or find that the Lessee or any of its subcontractors are not in compliance, the State may pursue any and all remedies allowed by law, including, but not limited to: suspension of work, termination of the Agreement for default, and suspension and/or debarment of the Lessee. All costs necessary to verify compliance are the responsibility of the Lessee.

**40. Compliance Requirements for A.R.S. § 41-4401, Government Procurement: E-Verify Requirement.** The Lessee warrants compliance with all Federal immigration laws and regulations relating to employees and warrants its compliance with Section A.R.S. § 23-214, Subsection A. (That subsection reads: "After December 31, 2007, every employer, after hiring an employee, shall verify the employment eligibility of the employee through the E-Verify program.)

A breach of a warranty regarding compliance with immigration laws and regulations shall be deemed a material breach of the Agreement and the Lessee may be subject to penalties up to and including termination of the Agreement.

Failure to comply with a State audit process to randomly verify the employment records of Lessee and subcontractors shall be deemed a material breach of the Agreement and the Lessee may be subject to penalties up to and including termination of the Agreement.

The State Agency retains the legal right to inspect the papers of any employee who works on the Agreement to ensure that the Lessee or a subcontractor is complying with the warranty under paragraph 1.

**41. Scrutinized Businesses.** In accordance with A.R.S. § 35-391 and A.R.S. § 35-393, Lessee certifies that the Lessee does not have scrutinized business operations in Sudan or Iran.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date below:

LESSEE

*John T. Holbrook*  
John T. Holbrook, for JH Cattle Company, LLC

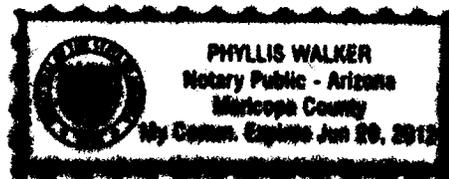
1/26/12 Date

(Seal)

Notary *Phyllis Walker*

Maricopa County, Arizona State

Commission expires 6/29/12

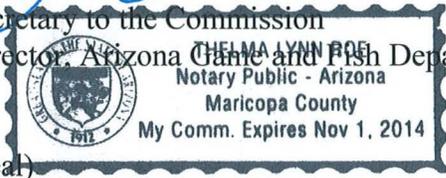


LESSOR

*Larry D. Voyles*  
Larry D. Voyles

*1-26-12*  
Date

Secretary to the Commission  
Director, Arizona Game and Fish Department



*Shelma Lynn Roe*  
Notary

*Maricopa*, *Arizona*  
County State

Commission expires *Nov 1, 2014*

**Exhibit A**  
**Permissible Use**

1. To the extent necessary to satisfy any requirement of the federal grazing permits, the Lessee may access and use the entire undeveloped portion of the Base Property to support the Lessee's livestock operation. The Lessee's access and use of the undeveloped portion of the Base Property under this paragraph is limited to temporary holding of livestock when situations force Lessee to remove livestock from the Allotments, the movement of livestock to and from the Allotments, holding livestock for required medical or other specific care, and livestock shipping or other situations that might require livestock to be removed from the Allotments. Except as specifically authorized under this paragraph, large groups of livestock are not to be held on the Base Property for more than 10 consecutive days and subject to guidance from the Department as to allowable use areas.
2. The corrals, holding pens, loading chute and associated facilities north of the primary east-west lane (Old Blood Basin Road) through the Base Property are to be made available to the Lessee, provided the Lessee's use is designed to safeguard the value of the Base Property and its facilities, and Lessee's activities are performed in safe and sanitary conditions on the Base Property.
3. The storage yard north of the lane referenced above is to be made available to the Lessee as a shared use area with the Department. The containment field and fuel tanks in this yard are for the exclusive use of the Department.
4. The barn, holding pens, tack room A (barn), tack room B (horse stalls), covered hay storage area, horse stalls and associated corrals, and pasture located south of the primary east-west lane (Old Bloody Basin Road) through the Base Property are made available as shared use areas, with the Department entitled to the primary use for all but the horse stalls and associated corrals, covered hay storage area, east holding pens, and tack room B. The Lessee will have primary use of these latter areas.
5. A bedroom with restroom in the main house on the Base Property is made available to the Lessee for its use during overnight stays on the Base Property. This will include access to the kitchen. Alternately, an area north of the east holding pens is made available for exclusive use by the Lessee for a residential RV or trailer. The Department will assist with the hookup of water and electrical connections to the trailer site should the Lessee select this option.
6. Access to the Agua Fria River riparian corridor through the Base Property for livestock use is prohibited, except as specifically authorized by the Department. The stock pond on the Base Property is for the Department's exclusive use.

**Exhibit B**  
**Public Land and Water Rights**

1. The Lessee may use during the term of this Agreement and the term of the federal grazing permits the listed public land water rights associated with the Allotments and held as Lessor's property, except the Lessor reserves the right to use water rights on the Base Property and an amount of water from the public land water rights for domestic use and for wildlife and wildlife habitat uses.
2. The Lessee may use during the term of this Agreement and the term of the federal grazing permits the public land livestock management improvements associated with the Allotments including, but not limited to water tanks, troughs, pipelines, windmills, dirt tanks, corrals and fences, held as Lessor's property, except the Lessor reserves a right to use these improvements for the benefit wildlife and wildlife habitat.
3. The Lessee is responsible at its sole expense for maintaining and repairing the improvements. The Lessor will assist with the cost of maintaining and repairing improvements that the Lessor uses for the benefit of Base Property domestic use or wildlife and wildlife habitat. Shared use and expense will be based on a separate site specific agreement between the Lessor and Lessee

**Exhibit C**  
**Areas of Base Property Reserved for Lessor's Exclusive Use**

1. The Lessor reserves the following areas for exclusive use, except as otherwise provided by written authorization to the Lessee.
  - a) The developed portions of the Base Property, except as allowed in Exhibit A. These exclusive use areas include the main Ranch house (except as noted in Exhibit A.5. above), the houses known as the Osborn House, Tin House, Cameron House, Cook Shack, Doll House; the generator and battery houses and the various tool and storage facilities, containment field and fuel tanks in the storage yard, the irrigation well, the windmill, the orchard and the landscaped or improved grounds of the main complex.
  - b) The Agua Fria River and Indian Creek corridors as they pass through the deeded property.
  - c) The irrigated pasture west of the Agua Fria River and east of the Bloody Basin Road.
  - d) The stock pond at the northeast portion of the main complex.

**Exhibit D.**  
**Annotated Map of the Base Property**  
(made available in large format under separate cover)

**Horseshoe Ranch Property Detail**

