



**BOARD OF SUPERVISORS AGENDA ITEM REPORT
CONTRACTS / AWARDS / GRANTS**

Award Contract Grant

Requested Board Meeting Date: March 2, 2021

16 BC

* = Mandatory, information must be provided

or Procurement Director Award

***Contractor/Vendor Name/Grantor (DBA):**
Diamond Bell Ranch Management Company, LLC

***Project Title/Description:**
Ranch Management Agreement

***Purpose:**
The Ranch Manager desires an early termination of their Ranch Management Agreement

***Procurement Method:**
Exempt pursuant to Pima County Code 11.04.020

***Program Goals/Predicted Outcomes:**
The Ranch Management Agreement (RMA) currently terminates on 01/15/2023 and Ranch Manager desires an early termination on March 2, 2021. This will make the RMA available to another Ranch Manager after the termination date. The County and the Ranch Manager have fulfilled all duties and obligations under the RMA. Each party releases the other party from any further obligations, payments, or duties under the RMA.

***Public Benefit:**
The early termination of the RMA will allow the RMA to be made available to another Ranch Operator and continues the value of ranching on this County property.

***Metrics Available to Measure Performance:**
All duties and obligations of both parties have been fulfilled.

***Retroactive:**
No

TO: COB 3-3-2021 (W)
Vers.: 3
Pgs.: 1

Contract / Award Information

Document Type: _____ Department Code: _____ Contract Number (i.e., 15-123): _____

Commencement Date: _____ Termination Date: _____ Prior Contract Number (Synergen/CMS): _____

Expense Amount: \$* _____ Revenue Amount: \$ _____

***Funding Source(s) required:**

Funding from General Fund? Yes No If Yes \$ _____ % _____

Contract is fully or partially funded with Federal Funds? Yes No

If Yes, is the Contract to a vendor or subrecipient? _____

Were insurance or indemnity clauses modified? Yes No

If Yes, attach Risk's approval.

Vendor is using a Social Security Number? Yes No

If Yes, attach the required form per Administrative Procedure 22-10.

Amendment / Revised Award Information

Document Type: CTN Department Code: PW Contract Number (i.e., 15-123): 18*0100

Amendment No.: 2 AMS Version No.: 3

Commencement Date: 03/02/2021 New Termination Date: 03/02/2021

Prior Contract No. (Synergen/CMS): _____

Expense or Revenue Increase Decrease Amount This Amendment: \$ 0.00

Is there revenue included? Yes No If Yes \$ _____

***Funding Source(s) required:**

Funding from General Fund? Yes No If Yes \$ _____ % _____

Grant/Amendment Information (for grants acceptance and awards) Award Amendment

Document Type: _____ Department Code: _____ Grant Number (i.e., 15-123): _____

Commencement Date: _____ Termination Date: _____ Amendment Number: _____

Match Amount: \$ _____ Revenue Amount: \$ _____

***All Funding Source(s) required:**

*Match funding from General Fund? Yes No If Yes \$ _____ % _____

*Match funding from other sources? Yes No If Yes \$ _____ % _____

*Funding Source: _____

***If Federal funds are received, is funding coming directly from the Federal government or passed through other organization(s)?** _____

Contact: Karen Simms

Department: Natural Resources, Parks and Recreation Telephone: 520-724-5216

Department Director Signature/Date: [Signature]

Deputy County Administrator Signature/Date: [Signature] 2/10/2021

County Administrator Signature/Date: [Signature] 2/16/21
(Required for Board Agenda/Addendum Items)

Contract No: CTN-PW-18-100 Amendment No: 02

This number must appear on all correspondence and documents pertaining to this contract

TERMINATION AND MUTUAL RELEASE

RANCH MANAGEMENT AGREEMENT

THIS TERMINATION AND MUTUAL RELEASE, is made and effective on March 2, 2021, by PIMA COUNTY, by and through its Natural Resources, Parks and Recreation Department, a political subdivision of the State of Arizona ("County") and DIAMOND BELL RANCH MANAGEMENT COMPANY, LLC, an Arizona limited liability company ("Manager")

RECITALS

A. County and Manager entered into a Ranch Management Agreement, dated January 15, 2008, which was amended by the Ranch Management Agreement Amendment, dated January 16, 2018 (collectively the "Agreement").

B. The Agreement provides that it shall terminate on January 15, 2023.

C. The parties desire to terminate the Agreement on March 2, 2021.

AGREEMENT

For good and adequate mutual consideration, the parties agree as follows:

1. The Agreement shall terminate on March 2, 2021.

2. The parties waive any required termination notices.

3. Section 20 Indemnity and Hold Harmless and Section 25 Restoration and Surrender of Premises of the Agreement survive termination.

4. For purposes of Section 25, Manager's 60-day period for removal of all personal property and livestock will be deemed to begin March 2, 2021.

5. Except as provided in item 3 above each party has satisfied all duties and obligations under the Agreement.

6. Except as provided in item 3 above each party releases the other party from any further payments, duties, or obligations under the Agreement.

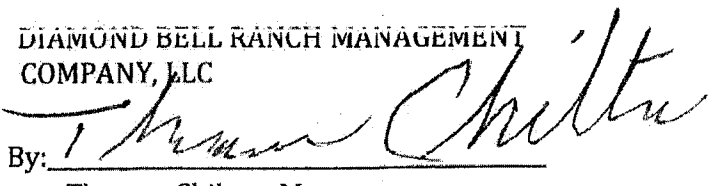
"COUNTY"

"MANAGER"

PIMA COUNTY

DIAMOND BELL RANCH MANAGEMENT COMPANY, LLC

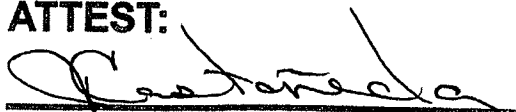
By: 
Chairman, Board of Supervisors

By: 
Thomas Chilton, Manager

Dated: MAR 16 2021

Dated: 2-18-21

ATTEST:


Clerk, Board of Supervisors
Pima County, Arizona



**BOARD OF SUPERVISORS AGENDA ITEM REPORT
CONTRACTS / AWARDS / GRANTS**

Award Contract Grant

Requested Board Meeting Date: February 6, 2018

* = Mandatory, information must be provided

or Procurement Director Award

***Contractor/Vendor Name/Grantor (DBA):**

Diamond Bell Ranch Management Company, LLC, an Arizona Limited Liability Company ("Manager") LCP-0125

***Project Title/Description:**

Amendment to Ranch Management Agreement

***Purpose:**

On January 15, 2008, the Pima County Board of Supervisors approved the Diamond Bell Ranch Management Agreement ("Agreement"), contract number 11-64-C-140555-0108, pursuant to which Manager was approved as full-time manager of the Diamond Bell Ranch (the "Property"). The Agreement was for a term of 10 years, expiring on January 15, 2018. The Manager wants to extend the term for a period of 5 years expiring on January 15, 2023. Amendment will also remove language in Section 8 (a) of Agreement, Repair and Maintenance; Improvements "and County shall not be entitled to require Manager to make improvements upon the Property whatsoever or repairs to any currently inoperative or obsolete facilities or equipment upon the Property whatsoever", and 28 (g) Notice, manager address, to 14060 So. Stage Coach Rd.

***Procurement Method:**

Exempt pursuant to Pima County Code 11.04.020

***Program Goals/Predicted Outcomes:**

To ensure that the Property continues to be operated primarily as a ranching operation which fosters the abundant and diverse native flora and fauna, clean air, clean water and stable soils.

***Public Benefit:**

To maintain bond-acquired County-owned ranch land and open space in its natural state, and to continue to operate the Property in conformance with its historic usage as a working cattle ranch.

***Metrics Available to Measure Performance:**

To maintain the Property in the manner consistent with County standards per the terms of Agreement.

***Retroactive:**

Yes, by request the original Agreement (contract number 11-64-C-140555-108) had to be entered into AMS to be assigned a AMS contract number, further delaying the submittal of this amendment.

To: CoB - 1/22/18
pgs. - 2

Procure Dept 01 18 AM 10:51

***Contract / Award Information**

Document Type: _____ Department Code: _____ Contract Number (i.e.,15-123): _____

Effective Date: _____ Termination Date: _____ Prior Contract Number (Synergen/CMS): _____

Expense Amount: \$* _____ Revenue Amount: \$ _____

***Funding Source(s) required:**

Funding from General Fund? Yes No If Yes \$ _____ % _____

Contract is fully or partially funded with Federal Funds? Yes No

***Is the Contract to a vendor or subrecipient?**

Were insurance or indemnity clauses modified? Yes No

If Yes, attach Risk's approval

Vendor is using a Social Security Number? Yes No

If Yes, attach the required form per Administrative Procedure 22-73.

Amendment / Revised Award Information

Document Type: CTN Department Code: PW Contract Number (i.e.,15-123): 18*0100

Amendment No.: 1 AMS Version No.: 2 15 11

Effective Date: 1/16/2018 New Termination Date: 1/17/2023

16 11

Prior Contract No. (Synergen/CMS): _____

Expense or Revenue Increase Decrease Amount This Amendment: \$ _____

Is there revenue included? Yes No If Yes \$ _____

***Funding Source(s) required:**

Funding from General Fund? Yes No If Yes \$ _____ % _____

Grant/Amendment Information (for grants acceptance and awards) Award Amendment

Document Type: _____ Department Code: _____ Grant Number (i.e.,15-123): _____

Effective Date: _____ Termination Date: _____ Amendment Number: _____

Match Amount: \$ _____ Revenue Amount: \$ _____

***All Funding Source(s) required:**

*Match funding from General Fund? Yes No If Yes \$ _____ % _____

*Match funding from other sources? Yes No If Yes \$ _____ % _____

*Funding Source: _____

***If Federal funds are received, is funding coming directly from the Federal government or passed through other organization(s)?**

Contact: Rita Leon

Department: Real Property Services Telephone: 724-6462

Department Director Signature/Date: [Signature] 1/17/2018

Deputy County Administrator Signature/Date: [Signature] 1/19/18

County Administrator Signature/Date: [Signature] 1/19/2018

(Required for Board Agenda/Addendum Items)

Pima County Department of Natural Resources,
Parks and Recreation

Project: Ranch Management Agreement
Amendment

Contractor: DIAMOND BELL RANCH
MANAGEMENT COMPANY, LLC, an Arizona
Limited Liability Company, whose address is
14060 South Stagecoach Rd, Tucson, AZ 85736
(hereinafter, "Manager")

Contract No.: CTN-PW-18*0100

Contract Amendment No.: One (1)

CONTRACT

NO. CTN-PW-18-100

AMENDMENT NO. 01

This number must appear on all
invoices, correspondence and
documents pertaining to this
contract.

(STAMP HERE)

Orig. Contract Term: 01/15/2008 to 01/15/2018
Termination Date Prior Amendment: 01/15/2018
Termination Date This Amendment: 01/15/2023

Orig. Amount:	\$	0.00
Prior Amendments Amount:	\$	0.00
This Amendment Amount:	\$	0.00
Revised Total Amount:	\$	0.00

RANCH MANAGEMENT AGREEMENT AMENDMENT

The parties agree to amend the above-referenced Ranch Management Agreement as follows:

1. **Term.** The Ranch Management Agreement terminates on 01/15/2023. No further renewal options remain.

2. **Notice.** The address and phone number for any notice to **Manager** will be as follows:

Diamond Bell Ranch Management Company, LLC
14060 South Stagecoach Road
Tucson, AZ 85736
(520) 609 - 0333 cell phone

3. **Repair and Maintenance; Improvements.** The following language in **Section 8(a)** of the Ranch Management Agreement is deleted:

"...and County shall not be entitled to require Manager to make any improvements upon the Property whatsoever or repairs to any currently inoperative or obsolete facilities or equipment upon the Property whatsoever."

The effective date of this Amendment is **January 16th, 2018.**

All other provisions of the Ranch Management Agreement not specifically changed by this Amendment remain in effect and are binding upon the parties.

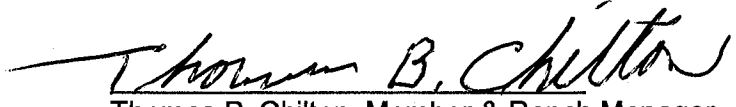
PIMA COUNTY

DIAMOND BELL RANCH MANAGEMENT COMPANY, LLC


Chairman, Board of Supervisors

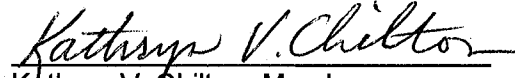
FEB 06 2018

Date


Thomas B. Chilton, Member & Ranch Manager

12-11-17

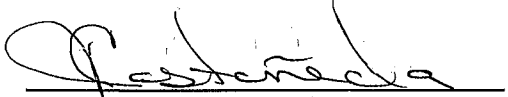
Date


Kathryn V. Chilton, Member

12-11-17

Date

ATTEST


Julie Castaneda, Clerk of the Board

FEB 06 2018

Date


APPROVED AS TO FORM


Tobin Rosen, Deputy County Attorney

12/14/17

Date

APPROVED AS TO CONTENT


Christopher Cawein, Director, Natural Resources, Parks & Recreation

12/14/17

Date



**BOARD OF SUPERVISORS AGENDA ITEM REPORT
CONTRACTS / AWARDS / GRANTS**

Award Contract Grant

Requested Board Meeting Date: January 15, 2008

* = Mandatory, information must be provided

or Procurement Director Award

***Contractor/Vendor Name/Grantor (DBA):**

Diamond Bell Ranch Management Company LLC, and Arizona Limited Liability Company ("Manager") LCP-0125

***Project Title/Description:**

Ranch Management Agreement

***Purpose:**

On January 15, 2008 the Pima County Board of Supervisors approved the Acquisition and Diamond Bell Ranch Management Agreement ("Agreement"), contract number 11-64-C-140555-0108. The Agreement was for 10 years, expiring on January 15, 2018. The property was purchased with 2004 open space bond funds. Manager is an entity related to the seller of the property and entered into the Agreement with Pima County. Procurement is requesting this AIR in order to enter the Agreement into AMS and convert the previous contract number to a CTN this will ensure that all amendments to Agreement have a consistent contract number.

***Procurement Method:**

Exempt pursuant to Pima County Code 11.04.020

***Program Goals/Predicted Outcomes:**

To ensure that the property continues to operate primarily as a ranching operation, and is entered into our AMS.

***Public Benefit:**

To maintain bond-acquired County-owned ranch land and open space in its natural state, and continue to operate in conformance with its historic usage as a working cattle ranch.

***Metrics Available to Measure Performance:**

To maintain the property in at manner consistent with County standards.

***Retroactive:**

Yes per contract number 11-64-C-140555-0108

2/15/2008 2:57:07 PM

Contract / Award Information

Document Type: CTN Department Code: PW Contract Number (i.e., 15-123): 18*100

Effective Date: 1/15/2008 Termination Date: 1/14/2018 Prior Contract Number (Synergen/CMS): 140555

Expense Amount: \$ _____ Revenue Amount: \$ 0.00

***Funding Source(s) required:**

Funding from General Fund? Yes No If Yes \$ _____ % _____

Contract is fully or partially funded with Federal Funds? Yes No

***Is the Contract to a vendor or subrecipient?** _____

Were insurance or indemnity clauses modified? Yes No

If Yes, attach Risk's approval

Vendor is using a Social Security Number? Yes No

If Yes, attach the required form per Administrative Procedure 22-73.

Amendment / Revised Award Information

Document Type: _____ Department Code: _____ Contract Number (i.e., 15-123): _____

Amendment No.: _____ AMS Version No.: _____

Effective Date: _____ New Termination Date: _____

Prior Contract No. (Synergen/CMS): _____

Expense or Revenue Increase Decrease Amount This Amendment: \$ _____

Is there revenue included? Yes No If Yes \$ _____

***Funding Source(s) required:**

Funding from General Fund? Yes No If Yes \$ _____ % _____

Grant/Amendment Information (for grants acceptance and awards) Award Amendment

Document Type: _____ Department Code: _____ Grant Number (i.e., 15-123): _____

Effective Date: _____ Termination Date: _____ Amendment Number: _____

Match Amount: \$ _____ Revenue Amount: \$ _____

***All Funding Source(s) required:**

*Match funding from General Fund? Yes No If Yes \$ _____ % _____

*Match funding from other sources? Yes No If Yes \$ _____ % _____

*Funding Source: _____

***If Federal funds are received, is funding coming directly from the Federal government or passed through other organization(s)?** _____

Contact: Rita Leon

Department: Real Property Services Telephone: 724-6462

Department Director Signature/Date:  12/21/2017

Deputy County Administrator Signature/Date: _____

County Administrator Signature/Date: _____

(Required for Board Agenda/Addendum Items)

**PIMA COUNTY
NATURAL RESOURCES, PARKS AND RECREATION DEPARTMENT
Ranch Management Agreement**

DIAMOND BELL RANCH

Contract No: CTN-PW-18-100 Amendment No: _____

This number must appear on all correspondence and documents pertaining to this contract

This Ranch Management Agreement ("Agreement") is made by and between Pima County, by and through its Natural Resources, Parks and Recreation Department, a political subdivision of the State of Arizona (hereinafter, "County") and Diamond Bell Ranch Management Company, LLC, an Arizona Limited Liability Company, whose address is 14333 South Stagecoach Road, Tucson, Arizona 85736 (hereinafter, "Manager").

RECITALS

WHEREAS, County owns certain real property in Pima County, Arizona, more particularly described in Exhibit A attached hereto and has a possessory interest and certain other rights in and to additional acreage as described in the grazing leases/permits described on Exhibit A-1 attached hereto (collectively referred to herein as the "Property"); and

WHEREAS, County acquired its interest in the Property in a transaction prior to or contemporaneous with the establishment of this Agreement; and

WHEREAS, County and Manager acknowledge that the Property currently remains in a relatively undisturbed, natural state, has ecological, open space, cultural and historic values, and provides natural habitat for native plants and wildlife (collectively the "Resource Values"); and

WHEREAS, the Property has historically been operated primarily as a livestock ranching operation and County is committed to property management as a sustainable ranching operation which fosters abundant and diverse native flora and fauna, clean air, clean water and stable soils, providing for potential economic return; and

WHEREAS, County and Manager share the goal of preserving the biological resources on the Property and permitting land uses that are compatible with the conservation of significant ecological values; and

WHEREAS, County and Manager are further interested in preserving the working ranching landscape in the County; and

WHEREAS, County has acknowledged its commitment to protecting and preserving natural areas, open space and working landscapes through the adoption of the Sonoran Desert Conservation Plan; and

WHEREAS, the voters of Pima County have endorsed implementation of the Sonoran Desert Conservation Plan by passage, at a special election held on May 18, 2004, of certain bond

measures permitting the issuance of general obligation bonds to fund the acquisition of working landscape open space (see Questions 1, 2, and 4 of Pima County Ordinance 2004-18); and

WHEREAS, Manager is familiar with the Property and has experience with existing conditions of the Property; and

WHEREAS, this Management Agreement benefits the County by relieving it of the financial costs and burdens of physically managing and operating the Property using County employees;

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties, and in exchange of the mutual covenants, terms, conditions and restrictions contained herein, and pursuant to the law of the State of Arizona, the parties hereto agree as follows:

AGREEMENT

1. **Description of The Property.** Manager shall provide management services for the Property as identified in Exhibits A and A-1. This includes any lands owned in fee by the County and those additional lands owned by the Arizona State Land Department and the federal government made available to the County under the Grazing Leases and Permits.
2. **Term and Renewal.** This Agreement shall be for a term of ten (10) years and shall commence on the date the Agreement is certified by the Pima County Clerk of the Board. County and Manager shall have the option to extend the term of this Agreement for an additional five (5) year period, upon mutual written agreement.
3. **Management Objectives.** Manager shall use the Property subject to the terms and conditions of this Agreement and in accordance with County's resource management objectives (the "Management Objectives"), where not inconsistent, as listed below in the order of priority:
 - Protect, preserve, and enhance natural plant and wildlife communities of the Property
 - Rehabilitate degraded vegetation and wildlife habitats where possible and economically feasible
 - Manage wildfire hazards to the Property and adjoining private and public lands by managing vegetative fuels
 - Make judicious use of water resources associated with the Property
 - Provide for the safety of invited and noticed visitors to the Property
 - Minimize adverse resource impacts resulting from undocumented immigrant travel and associated law enforcement activities

County and Manager mutually agree that the provisions of this Agreement shall be interpreted conservatively so as to ensure that natural resource management and protection of Resource Values take precedence over grazing and revenue generation. Notwithstanding any other provision of this Agreement, the County shall have the right to limit or exclude grazing on portions of the Property from time to time, and for any period of time, so long as the reduction is justified using commonly acceptable range management

principles.

4. Resource Management Plan.

- a. Drafting Plan. Manager agrees to comply with the terms and conditions of a Resource Management Plan (the "Management Plan") to be developed cooperatively between County and Manager. Such Management Plan shall include, but not be limited to, a livestock grazing plan, access plan, natural resource and biological resource protection plan, and any other elements necessary to protect the Resource Values and achieve the County's Management Objectives for the Property. Promptly upon execution of this Management Agreement, County and Manager shall meet and review any existing grazing and management plans. County may, in its discretion, make changes or alterations in those plans for purposes of Protecting Resource Values. County shall have discretionary authority to approve and adopt the final Management Plan.

The Management Plan shall, by this reference, upon approval and adoption by County, be incorporated herein.

- b. Annual Resource Condition Assessment. County and Manager shall meet at least annually to evaluate the Property's resource conditions to determine whether the Management Plan is appropriate for existing conditions or needs to be modified. Should the County require a modification to the Management Plan, including but not limited to the exclusion of grazing from all or certain areas of the Property, the County and Manager may consult with other natural resource agency representatives if the Manager does not concur with such a requirement. The parties may agree to a compromise based on that consultation. Notwithstanding anything in this Agreement to the contrary, County shall retain, in its sole and absolute discretion, the right to limit or exclude grazing from certain areas of the Property. In such event, the County shall give Manager written notice of the change and the time required for the removal of the livestock.

5. Use of Property.

- a. Cattle Grazing. Manager may use the Property for open pasture cattle grazing and associated ranching and related operations, including the use and grazing of horses used in such ranching operations, in accordance with the Management Plan. Cattle grazing shall be limited to cattle, and shall not include other livestock such as sheep, horses, llamas or exotic breeds on the property without the express written permission of the County. Manager shall be permitted to pasture horses in specific areas agreed to by the County and for durations and during times of the year that do not result in adverse impacts on the Resource Values.
- b. Associated Activities. Manager may also use the Property for all activities normally associated with ranching operations, in accordance with the Management Plan.
- c. Housing. Manager shall be permitted to use existing housing facilities on the Property

for the term of this Agreement and shall be responsible for compliance with the terms and conditions of this Agreement accordingly. Manager shall limit ranch workers to numbers commonly employed on the Property and notify County with contact information of all facility occupants.

- d. No warranties or representations. County makes no warranties or representations to Manager as to the suitability of the Property for grazing.
- e. Use consistent with County's rights. Manager understands and agrees that the Property shall be managed and operated in such a manner as to protect the biological resources of the Property and the possibility exists that the Management Objectives and natural conditions may limit, restrict, or otherwise impact the location and number of cattle permitted to graze on the Property. Manager further understands and agrees that Manager's use of the Property shall be consistent with the mission of the Sonoran Desert Conservation Plan, the conditions of the 2004 Bond measure and any future amendments, and the Management Objectives set out herein. Manager further understands and agrees that Manager's use is subject to County's primary rights to operate the Property for the benefit of the public and the public interest.
- f. No other Uses. Any use of the Property not permitted by this paragraph 5 is prohibited. The prior written approval of the County is required for any other use of the Property.
- g. Damage and Repairs. Manager shall be responsible for damage to the Property or its Resource Values caused by Manager's intentional, reckless, or negligent conduct, or the intentional, reckless, or negligent conduct of its employees, agents or designees. Manager shall not be responsible for repairing any damages caused by the negligence of the County, or uses in connection with County's rights under Section 5.e. of this Agreement, unless Manager shares responsibility for that damage, in which event Manager shall be responsible for the proportion of damages that were caused by Manager, its agents or employees.

6. Grant Projects. County agrees to cooperate as a participating agency for any grant applications Manager might seek for the Property that enhance the Property's Resource Values or advance the County's Management Objectives, provided:

- (i) Manager obtains prior approval of the County Board of Supervisors for the grant application;
- (ii) Manager agrees to be bound by the terms and conditions of the grant agreement if awarded;
- (iii) Manager shall not be permitted to assert, as in-kind matches, labor, resources, or other assets of the County without the County's prior written approval for such assertion;
- (iv) Manager retains all obligations and assumes any liability that may be incurred as a result of an early termination of this Agreement by Manager; and
- (v) Manager agrees to cooperate with County for any grant applications County might make

with respect to the Property.

7. **Grazing Leases/Permits.** County's possessory and other rights in and to certain portions of the Property are, as disclosed in the recitals to this Agreement, derived from certain grazing leases or permits described on Exhibit A-1 attached hereto (the "Grazing Lease(s)"). Manager hereby warrants that it has read and understands the terms and conditions of the Grazing Lease(s) and agrees to comply with all the terms and conditions thereof. Manager hereby agrees to pay any fees due under the annual Grazing Lease(s), sublease applications and application fees for grazing lease improvement projects. County shall be responsible for all annual and periodic reporting requirements pertaining to the Grazing Lease(s), and Manager shall cooperate in the preparation of any reports necessary for compliance with the Grazing Lease conditions. Manager shall be permitted to conduct grazing activities as a sublessee of County under the appropriate leasing agency terms and conditions, provided such sublease receives the approval of the leasing agency. Manager shall copy the County on all invoices, reports and written communications with the leasing agency.

8. **Repair and Maintenance; Improvements.**
 - a. **Maintenance.** Manager shall keep all improvements on the Property in functional condition, suitable for the purpose(s) for which they have been installed, including housing, barns, corrals, fencing, roads, water storage tanks, water lines, windmills, wells, pumps, and pressure systems. Manager alone shall bear the cost for any and all repair and maintenance work related to improvements and facilities needed for the ranching operation on the Property. County shall not be obligated to make any improvements or repairs to the Property whatsoever and County shall not be entitled to require Manager to make any improvements upon the Property whatsoever or repairs to any currently inoperative or obsolete facilities or equipment upon the Property whatsoever. All improvements and major repairs shall be approved by the County at the initial planning stage.

 - b. **New structures or roads.** Manager shall not construct any new structures or roads on the Property without the prior written approval of the County as to site location and design. Manager shall have cultural resource clearance of the location before engaging in any earth moving activity, unless waived in writing by County. Manager shall comply with all applicable federal, state and local building codes and ordinances for all improvements, including but not limited to structures or roads, constructed on the Property by Manager. All costs for any such construction shall be borne solely by the Manager. Manager shall be permitted to maintain existing roads, at Manager's sole expense, including grading, filling, and otherwise maintaining the roads in passable condition. Such permission does not include paving any roads on the Property without the prior written approval of the County.

 - c. **Garbage and Waste.** Manager shall arrange for the storage and disposal of all garbage and waste materials according to applicable law at its sole cost and expense. Manager shall remove garbage, trash and non-toxic or hazardous waste to a legal dumpsite no less than twice a year. Manager shall be responsible for handling and disposing of garbage and waste in such a manner as to prevent the production of offensive odors and

the attraction of rodents and other vermin. Manager shall not use existing dumpsites on the property for permanent waste disposal.

- d. **Hazardous Wastes.** All Hazardous Materials, as hereinafter defined, on the Property shall be removed to a legal dumpsite off the Property at Manager's sole cost and expense within 30 calendar days after written or oral notice to Manager by County or by any federal, state, or local regulatory agency having jurisdiction. Upon receipt of notice from County, Manager shall stop all activities related to any Hazardous Materials until they are removed to the satisfaction of County. As used in this Agreement, the term "Hazardous Material" shall mean any substance or material which has been determined by any state, federal or local governmental authority to be capable of posing a risk of injury to health, safety and property including all of those materials and substances designated as hazardous or toxic by any other governmental agency now or hereafter authorized to regulate materials and substances in the environment.
 - e. **Pesticide Use.** Manager shall be responsible for all pest management on the Property, excluding termite treatment. Manager shall comply with all applicable local, state and federal pest management and structural pest control regulations and restrictions on the use of pesticides as well as posting and record-keeping requirements.
9. **Utilities.** Manager shall contract directly with the appropriate public utility for all water, gas, electricity, portable or telephone service, garbage, and sewage, or other utility or service furnished to or used by Manager during the term of this Agreement at Manager's sole cost and expense. Manager shall indemnify and hold harmless County from and against any charge for the installation, connection, maintenance, and furnishing of all necessary utilities, meters and services. Manager shall provide for the extension of any utility service or distribution lines (water, gas, electricity, portable or telephone, garbage, sewage, or other) required to serve the Property at Manager's sole cost and expense. Manager shall comply with all applicable government mandated water and energy conservation programs in fulfilling its obligations of this Agreement. In the event the installation of utilities shall involve any earth disturbing or viewshed impacts, Manager shall first obtain County's approval for such activities. County shall not be liable for any damages resulting from any failure to furnish, or delay in furnishing, any utility service, including but not limited to water, gas, electricity, telephone, garbage, or sewage.
 10. **Vehicle Travel.** Manager's trucks, or other approved vehicles, shall be used in a manner which is consistent with the Management Plan. Only such off-road travel shall be allowed as reasonably necessary to conduct ranch operations. Travel through washes with wheeled, motorized vehicles shall be restricted to essential needs for ranch operations.
 11. **Manager's Acceptance Of Property.** Manager and County each hereby accepts the buildings, improvements, and any equipment on the Property in their existing condition. No representation, statement, or warranty (express or implied) has been made by or on behalf of County or Manager as to such condition or as to the use that may be made of such property. Manager acknowledges that it was in control of the Property and all personal property located on the Property prior to the execution of this Agreement, and Manager hereby releases and agrees to hold County harmless from any liability whatsoever arising

out of any defect in any such property or for any limitation on its use.

12. Cattle, Ranch Equipment and Personal Property. Manager shall provide any and all equipment and personal property, including tools, machinery, and supplies necessary for the ranching activities authorized under this Agreement. Manager shall be responsible for the cost of repairing or replacing all such items as needed. County shall not assume responsibility for any damage or cost or expenses to Manager's ranch equipment or personal property incurred during activities on the Property.

13. Prohibited Uses.

a. Natural Resources. Manager is strictly prohibited from removing any trees, cacti, shrubs, gravel, rock, sand, minerals or cultural artifacts from the Property. Manager shall disturb no wildlife habitat, biologic, cultural, geologic, scenic, historical or archaeological site or resource, commit no waste of any kind, nor in any manner substantially change the contour or condition of the Property. Subject to the intent and limitations of this Section 13, Manager shall be permitted to remove and use sand and gravel at one or more locations on the Property designated by the County, in quantities reasonably necessary to enable Manager to fulfill Manager's duty under this Agreement to maintain roads and corrals on the Property; provided Manager complies with all applicable laws and regulations.

b. Noise. Manager shall not install, use, or permit the installation or use upon the Property of any public address equipment, television equipment, radio, loudspeaker, or other equipment or device producing noises that can be heard outside the immediate area of the Ranch headquarters/bunkhouse area except as reasonably necessary to conduct ranch operations and maintenance. This shall not be deemed to prohibit the use of equipment that is necessary to fix ranch equipment or improvements on the property, provided that the noise is minimized to the extent reasonably possible.

c. Water Pollution.

Manager shall comply promptly with all applicable laws, including any regulations, conditions, or instructions affecting the Property or the use thereof, issued by any federal, state, or local government agency having jurisdiction to abate or prevent water pollution.

Manager shall not discharge any substances which will contaminate streams or other bodies of water or otherwise become a public nuisance, provided that, unless otherwise required by law, the prohibition against discharge does not pertain to controlling cattle waste in streams, streambeds or watercourses, or bodies of water, unless water quality measures have been taken or installed to prevent cattle from entry into such streams, streambeds, water courses, ponds or water bodies.

d. No Explosives. Manager's use of explosives on the Property is strictly prohibited.

e. Hunting. Manager shall not post any of the Property against public entry for hunting without prior written approval of County. Predator control activities on the Property

shall be approved by the County prior to any actions being taken by Manager.

14. Water Rights.

- a. Permitted Uses of Water. Manager may, at its own cost and expense, utilize water from the Property to the extent permitted by law and by County's water rights associated with the Property, solely for use on the Property in performance of Manager's operations and obligations under this Agreement. County assumes no responsibility to Manager for any water shortage from the source or sources of water or from any source whatsoever; nor does County warrant the quality or quantity of water obtained from any source.

Use of water on the Property by Manager shall be limited to the amount required to operate its cattle ranching operation on the Property.

- b. Water Testing. County reserves the right to enter the Property at regular intervals to test the quality of the water and, further, to curtail use of potable water by Manager from wells or springs on the Property in the event the water exceeds contaminant level standards established by the Arizona Department of Environmental Quality.

15. Right Of Entry.

- a. General. County reserves the right during the term of this Agreement to enter the Property at any reasonable time or times, for the purpose of inspection, consultation with Manager, making repairs or improvements, water quality testing, posting notices and for all other lawful purposes.
- b. Resource Management. County and its employees, agents and contractors shall have the right to enter the Property for the purpose of monitoring or conducting research on the Resource Values on the Property. Such entry by County shall not interfere with Manager in carrying out regular grazing operations that Manager has the right to perform under the terms of this Agreement.
- c. Prior Notice. County shall, whenever feasible, provide Manager with two (2) business day's notice of its intent to enter upon the Property. Such notice shall be given to Manager at the numbers and/or address identified below in Paragraph 28(g).

- 16. Native Plants and Cultural Resources.** Manager shall comply with the provisions of the Arizona Native Plant Law (A.R.S. § 3-901 et seq. or any successor statutes) and with Arizona laws relating to archaeological discoveries (A.R.S. § 41-841 et seq. or any successor statutes). Manager shall not disturb any cacti or other protected native plants nor disturb any ruins, burial grounds or other archaeological sites.

- 17. Undocumented Immigrants and Squatters.** Manager shall make a good faith effort to keep the County informed of undocumented immigrant and associated law enforcement activity on the Property, as well as off-road vehicle travel, trash accumulation, abandoned vehicles, wildcat dumping and the existence of squatters, particularly where Resource Values are being adversely impacted. In no event is Manager responsible for remedying any such impacts, although Manager and the County may consult and agree to mutually

acceptable remediation or mitigation methods.

18. Mining Activity. Manager shall report to the County any change in activity level, location or other notable conduct by mining claimants on the Property. Manager is not obligated to take any action or contact mining claimants for any reason pursuant to this provision.

19. Taxes.

- a. Obligation for Taxes. Manager shall pay before delinquent all personal property taxes, assessments and fees levied on Manager by reason of its operations on the Property pursuant to this Agreement.
- b. Contest of Tax. If Manager wishes to contest or review by appropriate legal or administrative proceedings any tax or other charge specified under the provisions of this Section in good faith, Manager shall give County written notice of its intent to do so at least ten (10) calendar days before the delinquency of such tax or charge, or within the applicable time period allowed by law. Manager may withhold payment of the tax being contested only if nonpayment is allowed during the pendency of such proceedings without the foreclosure of any tax lien or the imposition of any fine or penalty. The failure to pay any tax or charge within ten (10) calendar days of determination of the amount due shall constitute default, and the obligation to pay the same shall survive the end of this Agreement.
- c. Tax Indemnification. Manager agrees to indemnify and hold harmless County, and County's officers, agents and employees from and against any liability, loss, or damage resulting from such contest or proceeding or from any tax or charge required to be paid by Manager, from any other sums imposed thereon, and from any proceedings to enforce the collection of any tax or charge for which Manager may be liable. Manager shall not permit any lien to attach to its interest in the Property or in this Agreement.

20. Indemnity and Hold Harmless.

- a. County not Liable. County shall not be liable at any time for loss, damages, or injury to the person or property of any person at any time, arising directly or indirectly out of (i) any act of Manager or of anyone acting on behalf of or under the direction of Manager; (ii) the occupancy or use of the Property by the Manager; or (iii) any adverse and unsatisfactory state or condition of the Property caused by Manager's livestock grazing and ranching operations during the term of this Agreement. County shall not be liable for any loss of profits or business opportunity losses that Manager may incur for any reason, including interruption of business or termination of this Agreement.
- b. Indemnification of County. Manager shall indemnify, defend, and hold harmless the County, its officers, agents and employees from any claim, liability, loss, or damage arising out of, or in connection with, Manager's use of the Property, including but not limited to ranching operations upon the Property, except to the extent that such claim, liability, loss, or damage was caused by the negligent or intentionally wrongful acts or omissions of personnel employed by the County.

- c. Indemnification of Manager. County shall indemnify, defend and hold harmless the Manager, its officers, agents and employees from any claim, liability, loss, or damage, to the extent suffered or incurred by Manager caused by the negligent or wrongful act of the County or personnel employed by the County.
21. **Insurance.** Manager agrees to maintain comprehensive general liability, workers compensation (as required by law), and property damage insurance with an insurance company or companies approved by County. The general liability policy shall be in an amount determined by County Risk Management, and may be adjusted by County from time to time, and shall show the County as an additional named insured. Manager shall provide County insurance certificates evidencing the required coverage. The certificates shall provide for guaranteed thirty (30) days written notice to County of cancellation, non-renewal or material change.
22. **Manager not an Employee or Agent.** It is understood and agreed that Manager, in the performance of this Agreement, is not an agent or employee of County, and that this Agreement is not intended to and shall not be construed to create the relationship of agent, servant, employee, partnership, joint venture, or association. No participant or applicant for participation in Manager's grazing operation, no officer or employee of Manager, and no person engaged by Manager to administer or operate its grazing operation shall be construed to be an employee of County for any purpose, including tort claims, or benefits that accrue to employees or officers of the County.
23. **Assignment or Sublicense.** Manager shall not assign this Agreement or any interest in it, nor allow any person other than Manager and its agents and employees to occupy or use any part of the Property, without first obtaining County's prior written consent, which may be withheld at the sole and absolute discretion of County. Any unauthorized assignment or sublicense shall be void. Manager's interest is not assignable by operation of law without County's prior written consent. This Agreement is personal to Manager, based on Manager's prior ownership and operation of the Property.
24. **Default.**
- a. Default. If Manager violates any of the terms and conditions of this Agreement, County may give Manager written notice of the specific violation. Manager shall be in default unless Manager corrects the violation within ten (10) days after actual receipt of written notice of the violation, provided that there shall be no default if Manager promptly commences to eliminate the cause of such default and proceeds diligently and with reasonable dispatch to take all steps and do all work required to cure such default, in which case Manager shall have thirty (30) days to cure the violation.
- b. Termination for Default. In the event of a default, County has the right to terminate this Agreement, take back possession of the Property (including all buildings and improvements thereon), and pursue all remedies legally available.
- c. Liability for Breach. Termination for default shall not excuse Manager from any liability for damages for breach of contract.

d. **Entry for Mitigation.** In the event County determines that activities or actions by Manager have adversely impacted or will adversely impact the Property, its improvements, or its Resource Values, County shall, in addition to its right to declare Manager in default and terminate this Agreement, as provided above, be entitled to enter the Property without prior written notice to Manager for the purpose of mitigating damages and recover from Manager the cost of such Manager-caused damage and corrective action.

25. Restoration and Surrender of Premises. Upon expiration or earlier termination of this Agreement for any reason, Manager shall vacate the Property and surrender peaceable possession of it to the County. Manager shall promptly remove its personal property, and repair any damage or injury to the Property or to any of its buildings, structures, or improvements and restore the Property to the condition as existed when Manager first took possession of the Property under this Agreement, reasonable wear and tear excepted. Continued possession and use of the Property by the Manager is prohibited and shall be deemed a trespass for which County may seek all appropriate civil and criminal remedies.

If an early termination occurs, for any of the reasons set forth in Section 26 below, Manager shall remove all personal property and livestock from the Property as soon as practicable but in no event later than sixty (60) calendar days after notice of the termination (unless County extends this time period, in writing). If Manager fails to remove all personal property and livestock within the time specified, County may, at its sole discretion, take possession of the personal property and livestock and offer the property and livestock for sale at public auction, or otherwise dispose of the property and livestock according to applicable law.

26. Termination. This Agreement may be terminated early as follows: (1) by either party upon a default of any covenant or term hereof by the other party pursuant to Paragraph 24 above; (2) for conflict of interest as provided in Paragraph 28(n); (3) for non-appropriation of funds pursuant to Paragraph 28(p); (4) by Manager for any reason or for no reason and Manager shall thereafter be fully relieved and released of and from all future duties and responsibilities under this Agreement, for no payment of consideration of any kind to or from County or Manager (this shall not be deemed to relieve Manager of any liability for past acts); and (5) by County if it determines in its discretion that the Management Objectives of the Property will be adversely impacted by continuation of the Agreement and upon the approval of the County Board of Supervisors. If the County determines to terminate this Agreement under option (5) above, the County shall first notify the Manager in writing describing the reason for the contemplated termination and shall then meet with Manager to determine if the parties can find a mutually acceptable means to eliminate the adverse impact to the Management Objectives without terminating the Management Agreement.

27. Approval of County. Wherever this Agreement requires the approval of County, the written consent of the Director of the Natural Resources, Parks and Recreation Department of Pima County shall be required, except as otherwise specifically provided by this Agreement. The County Board of Supervisors shall have the right to designate another person to satisfy this requirement, by giving written notice to Manager.

28. Miscellaneous.

- a. Attorney's Fees. If either party brings any action or proceeding in court to enforce any provision of this Agreement or for damages because of an alleged breach of any provision of this Agreement (except as may otherwise be specified in this Agreement), the prevailing party shall be entitled to receive from the losing party the amount the court determines to be reasonable attorney's fees for the prevailing party.
- b. Binding Effect. The covenants and agreements contained in this Agreement shall bind the respective successors, assigns, heirs, and legal representatives of the parties.
- c. Non-discrimination. Both parties shall comply with State Executive Order 99-4, if applicable, and all other applicable federal and state laws, rules and regulations, including the Americans with Disability Act.
- d. Entire Agreement. This Agreement and any attached exhibits or addendum set forth all covenants, agreements, conditions, and understandings between County and Manager concerning the Property. There are no covenants, agreements, conditions, or understandings, either oral or written, between the parties other than those set forth in the Agreement or incorporated by this Agreement.
- e. Compliance With Law. At Manager's sole cost and expense and before the start of permitted activities, Manager shall comply with all applicable federal, state, county or municipal statutes, ordinances, regulations, orders, or directives of a governmental agency, as such statutes, ordinances, regulations, orders, or directives now exist or may later provide, concerning the use and safety of the Property. Manager shall obtain all permits which may be required by public agencies, including, but not limited to, the United States Army Corps of Engineers, Arizona State Land Department, and Arizona Game and Fish Department, having jurisdiction over the activities of Manager and comply with all conditions and requirements set forth in the permits issued by such agencies. Manager's failure to procure any such permit or comply with any such regulation or law shall be a default under this Agreement (one which cannot be "cured" pursuant to Section 24).
- f. Modification. Provisions of this Agreement may be modified, waived, or added to only by an instrument in writing signed by both parties, and approval by County shall require the approval of the Board of Supervisors.
- g. Notices. Notices relating to this Agreement or under the unlawful detainer statutes of Arizona shall be in writing and shall be delivered personally, sent by United States mail, first class postage prepaid, facsimile, electronic mail, or by private messenger or courier service to the addresses below:

Manager:

Diamond Bell Ranch Management
Company, LLC
14333 S. Stagecoach Road
Tucson, AZ 85736
Phone: 520-609-0333
Fax: 520-882-2784

County:

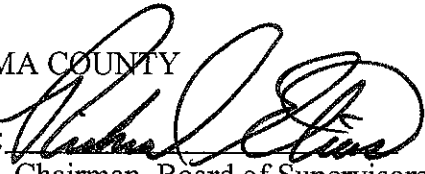
Director, Natural Resources, Parks
and Recreation Department
3500 W. River Road
Tucson, Arizona 85741
Phone: 520-877-6000
Fax: 520-877-6006

Any change in address shall be communicated by written notice to the other party and delivered according to this Section. A communication by any method permitted under this Section shall be effective when delivered, sent by facsimile or electronic mail, or deposited in the mail.


- h. Designees. Manager shall designate the following individual as the primary contact for all day-to-day management communications with the County: Thomas B. Chilton. County shall designate the following individual as the primary contact for day to day management communications: John L. Sullivan, Rangeland Resource Program Manager, (520) 877-6117 or (cell) 520 419-4012. Either party may change its designee from time to time, with notice to the other party.
- i. Personal Liability. No personal liability shall attach to any County officer or employee for any financial obligation to be performed under this Agreement.
- j. Remedies Cumulative. All remedies conferred on County and Manager by this Agreement and by law shall be deemed cumulative, and no one remedy shall be deemed to be exclusive of the other or of any other remedy conferred by this Agreement or by law.
- k. Severability. If any provision of this Agreement or any specific application shall be deemed to be invalid or unenforceable, the remainder of this Agreement or the application of the provision in other circumstances shall not be affected, and each provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.
- l. Text to Prevail Over Headings. The captions and section headings appearing in this Agreement are included for convenience only and do not in any way limit or amplify the terms or provisions of this Agreement.
- m. Waiver. Waiver by County or Manager of any breach of any term, covenant or condition shall not be deemed to waive the same term, covenant or condition on a future occasion. County's acceptance of fees shall not be deemed a waiver of any preceding breach by Manager of any covenant other than the failure of Manager to pay the fee so accepted. Neither County nor Manager shall waive any covenant, term, or condition of this Agreement unless the waiver is in writing and signed by the party making the waiver.
- n. Conflict of Interest. This Agreement is subject to cancellation pursuant to A.R.S. Section 38-511.

- o. Limitations. Nothing in this Agreement shall be construed as limited the powers of County, or expanding the powers of County beyond those granted to it by law.
- p. Non-Availability of Funds. This Agreement shall be subject to available funding, and nothing in this Agreement shall bind County to expenditures in excess of funds authorized by the Pima County Board of Supervisors for purposes outlined in this Agreement. This Agreement may be terminated if for any reason, there are not sufficient appropriated and available monies for the purpose of maintaining the County's obligations under this Agreement. In the event of such termination the County shall have no further obligation whatsoever to Manager and Manager shall have no further obligation whatsoever to the County.
- q. Landlord Tenant Act not Applicable. This Agreement is for the provision of management and operation services by Manager to County and is not subject to the provisions of the Arizona Landlord Tenant Act, A.R.S. Section 33-301 et seq.

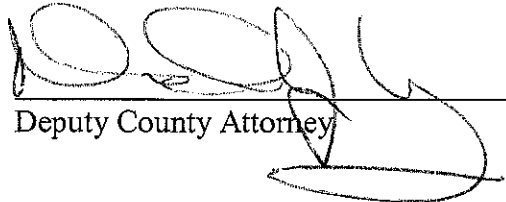
This Agreement has been executed as of the date of the latest signature below.

PIMA COUNTY
 By: 
 Chairman, Board of Supervisors
 Date: JAN 15 2008

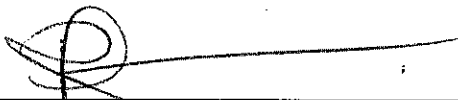
Attest:


 Clerk of the Board of Supervisors
 Date: JAN 15 2008

Approved as to Form:


 Deputy County Attorney

Approved as to Content:


 Director, Pima County Natural Resources,
 Parks & Recreation Department

DIAMOND BELL RANCH MANAGEMENT COMPANY, LLC
An Arizona limited liability company

By: Thomas B. Chilton
Thomas B. Chilton, Member

Date: 12-17-07

By: Kathryn V. Chilton
Kathryn V. Chilton, Member

Date: 12-17-07

EXHIBIT A

Legal Description of fee property (the "Property")

EXHIBIT "A"

Parcel 1:

The Northeast Quarter of the Northeast Quarter of the Northwest Quarter of Section 27, Township 16 South, Range 10 East, Gila and Salt River Meridian, Pima County, Arizona;

Except all coal and other minerals as reserved in the Patent from the United States of America.

Parcel 2:

Lots 1, 2, 3, 4, of Section 34, Township 16 South, Range 11 East, Gila and Salt River Meridian, Pima County, Arizona;

Except all coal and other minerals as reserved in the Patent from the United States of America.

Parcel 3:

That portion of the North half of the Southwest Quarter of Section 1, Township 17 South, Range 9 East, Gila and Salt River Meridian, Pima County, Arizona, lying Easterly of the East right of way line of the Tucson-Sasabe Road, as it existed on November 12, 1969, known as Arizona Highway No. 286.

Parcel 4:

Lot 1 of Diamond Bell Ranch/Tucson Chaparral Unit, , a subdivision of Pima County Arizona, according to the map of record in Book 20 of Maps and Plats at Page 11 thereof, records of Pima County Arizona

Parcel 5:

Lot 2 of Diamond Bell Ranch/Tucson Chaparral Unit, , a subdivision of Pima County Arizona, according to the map of record in Book 20 of Maps and Plats at Page 11 thereof, records of Pima County Arizona

Parcel 6:

That part of Block 1, Unit 7, Diamond Bell Ranch/Tucson, , a subdivision of Pima County Arizona, according to the map of record in Book 20 of Maps and Plats at Page 86 thereof, records of Pima County Arizona, described as follows:

Commencing at the Southwest corner of Section 35, Township 16 South, Range 10 East, Gila and Salt River Meridian, Pima County, Arizona;

EXHIBIT "A"
(Continued)

Thence North 89 degrees 43 minutes 38 seconds East, 75 feet;

Thence North 0 degrees 19 minutes 15 seconds West, 16.00 feet to the Southwest corner of said Block 1, also being on the North line of a 16 foot alley as shown on said map;

Thence North 89 degrees 43 minutes 38 seconds East 743 feet along the North line of said alley to the TRUE POINT OF BEGINNING;

Thence North 0 degrees 16 minutes 22 seconds West, 210 feet;

Thence North 89 degrees 43 minutes 38 seconds East, 500 feet;

Thence South 0 degrees 16 minutes 22 seconds East, 210 to a point on said North line of said alley;

Thence South 89 degrees 43 minutes 38 seconds West, 500 feet along said North line of said alley to the TRUE POINT OF BEGINNING;

Except all coal and other minerals as reserved in the Patent from the United States of America.

Parcel 7:

Lot 402, Diamond Bell Ranch-Tucson Unit No. 12, , a subdivision of Pima County Arizona, according to the map of record in Book 21 of Maps and Plats at Page 81 thereof, records of Pima County Arizona

Except all coal and other minerals as reserved in the Patent from the United States of America.

EXHIBIT A-1

The Grazing Leases

EXHIBIT B**STATE LAND DEPARTMENT
STATE OF ARIZONA****GRAZING LEASE**Lease No. 05- 94668

THIS GRAZING LEASE is entered into by and between the State of Arizona "Lessor" by and through the Arizona State Land Department and

JAMES K. CHILTON, JR., and SUSAN E. CHILTON, husband and wife,

as joint tenants with right of survivorship

as "Lessee". In consideration of the payment of rent and of performance by the parties of each of the provisions set forth herein, the parties agree as follows:

**ARTICLE 1
SUBJECT LAND**

1.1 Lessor hereby leases to Lessee for the term, at the rent, and in accordance with the provisions set forth herein, the Subject Land described in Appendix A attached hereto ("Subject Land") for the uses and purposes specified in Article 4.

1.2 Lessee makes use of Subject Land "as is" and Lessor makes no express or implied warranties as to the physical condition of the Subject Land.

**ARTICLE 2
TERM**

2.1 The term of this Lease commences on January 18, 1998, and ends on January 17, 2008, unless terminated earlier as provided in this Lease.

**ARTICLE 3
RENT**

3.1 Lessee shall pay rent to Lessor for the use and occupancy of the Subject Land during the term of this Lease without offset or deduction and without notice or demand, as established, on an annual basis.

3.2 The annual base rent shall be set by Lessor in the manner established by law and paid in advance each year.

3.3 Each billing year in advance, Lessee shall inform Lessor, on forms to be provided by Lessor, whether Lessee intends to make full use, partial use or total non-use of the maximum allowable animal-unit-months for the Subject Land, so that the correct amount of rent may be billed by the Lessor. Lessee shall inform Lessor in writing of any subsequent change in the number of animal-unit-months which Lessee intends to use. If Lessee fails to provide Lessor with this information within the time stated in the form provided by Lessor, Lessee shall pay full-use rent.

3.4 There shall be added to any rent payment, annual or otherwise, which has become due and has not been paid, a penalty in the amount of 5% of the payment due. Interest, at the then current rate set by the Treasurer under A.R.S. § 37-24(D)(3), shall be added to any rent and penalty from and after the date that the rent payment becomes due. Any delinquent rent, penalty and interest shall be a lien on Lessee's improvements and other property on the Subject Land.

3.5 Prior to the time a rent payment, annual or otherwise, is due, upon Lessee's written request, Lessor at its discretion may extend the time for payment for an additional period not to exceed 90 days. There shall be added to the rent a penalty of 5% of the rent payment due and interest on the rent and penalty at the then current rate set by the Treasurer under A.R.S. § 37-24(D)(3), or any successor statute. The amount of the rent, penalty and interest shall be a lien on the Lessee's improvements and other property on the Subject Land.

3.6 If the annual rent is at any time one calendar year in arrears, this Lease shall automatically terminate, without right of appeal by Lessee or any leasehold mortgagee, and Lessor shall proceed to cancel it on the records of the Department.

ARTICLE 4 USE OF SUBJECT LAND

4.1 The Subject Land is leased to the Lessee for the purposes of ranging livestock and for uses related thereto and no other use, except as approved in writing by Lessor after written application by Lessee.

4.2 Feedlot operations on the Subject Land are prohibited, but this shall not be construed to prevent the temporary or supplemental feeding of livestock.

ARTICLE 5 LIVESTOCK CARRYING CAPACITY

5.1 The livestock carrying capacity for the Subject Land shall be determined by the Lessor and may be adjusted from time to time, subject to the appeal rights of Lessee as provided by law. The appraised carrying capacity of the Subject Land shall not be exceeded during any billing year unless Lessee obtains the prior written permission of Lessor and agrees to pay the additional fees determined by Lessor.

ARTICLE 6
DUTY TO INFORM LESSOR OF TOTAL RANCH HOLDINGS

6.1 At the time of making application for the Lease, Lessee shall disclose to Lessor, on a form provided by Lessor, the total acreage used for grazing within the ranch unit or units of which the Subject Land is a part. This shall include, in addition to the Subject Land, any federal land which Lessee grazes pursuant to a written lease or permit any private land owned by or used by Lessee, with a designation as to which private lands are used pursuant to written agreement. In addition, Lessee shall show, on a map form supplied by or acceptable to Lessor: (1) the approximate location of all fence lines and man-made water sources and (2) the land ownership status (state, federal, or private) of the ranch unit or units of which the land covered by this Lease is a part.

6.2 In any determination as to whether the carrying capacity of the Subject Land has been exceeded, no claimed grazing use of private or federal lands within the ranch unit or units which have not been disclosed as part of the ranch unit or units shall be considered.

6.3 For purposes of determining whether the Lessee has remained within the authorized carrying capacity under this Lease, it shall be presumed that all land within a fenced pasture (whether state, federal or private) has been grazed to the same extent by livestock placed in that pasture unless Lessee or Lessor can, based upon range suitability and management practices, demonstrate to the contrary.

ARTICLE 7
RECORDS

7.1 Lessee shall keep records showing the numbers of Lessee's livestock of different classes on the ranch unit or units, the dates put on and removed and estimated death loss.

7.2 Such records shall be retained for a minimum period of three years.

7.3 The Lessor may, upon reasonable notice to the Lessee, require the production of the records described in Paragraph 7.1 above. In the event a dispute arises concerning the numbers of cattle grazed, the Lessee shall keep all documents and records until the dispute is finally resolved.

ARTICLE 8
TAXES; ADDITIONAL AMOUNTS

8.1 Lessee shall pay all assessments and charges for utilities and communication services, and assessments imposed pursuant to any construction on the Subject Land, all permit and authorization fees, all taxes, duties, charges and assessments of every kind of nature imposed by any public, governmental or political subdivision authority pursuant to any currently or subsequently enacted law, ordinance, regulation or order, which during the term of this Lease, become due or are imposed upon, charged against, measured by or become a lien on (a) the Subject Land, (b) any improvements or personal property of the Lessee located on the Subject Land, (c) the interest of the Lessee to this Lease or in the proceeds received by Lessee from any assignment or sublease of the Subject Land.

8.2 Lessee shall pay or cause to be paid all amounts required to be paid under Paragraph 8.1 before any interest, penalty, fine or cost accrues for nonpayment.

ARTICLE 9
WAIVER

9.1 Acceptance of rent payments by Lessor shall not constitute a waiver by Lessor of any violation by Lessee of the provisions of this Lease.

9.2 No waiver of a breach of any provision of this Lease shall be construed as a waiver of any succeeding breach of the same or any other provision.

ARTICLE 10
IMPROVEMENTS

10.1 All buildings, fences, wells, pumps, pipelines, corrals, pens, range improvement practices (i.e., root plowing, land imprinting, clearing, etc.) and other structures of every kind and nature which exist, at anytime, on, above, or below the Subject Land or on a portion thereof and which are not portable in nature are considered "improvements" under this Lease.

10.2 Lessee may construct improvements on the Subject Land if:

(a) Lessee has filed an Application to Place Improvements with Lessor, attaching any necessary written approvals from regulatory authorities; and

(b) Lessor has granted written approval for the construction of such improvements.

10.3 Any improvements placed on the Subject Land which have not been approved as required by Paragraph 10.2 shall be forfeited to and become property of the Lessor, and Lessee shall be liable to Lessor for all damage to the Subject Land caused by such unauthorized improvements and for any expenses incurred by the Lessor in restoring the Subject Land.

10.4 Lessee shall have the right to remove all of its personal property which can be removed without damaging the Subject Land within 60 days prior to, or 90 days following the Expiration Date or the earlier termination of the Lease.

10.5 Improvements placed on the Subject Land shall conform to all applicable federal, state, county and municipal laws and ordinances.

10.6 All improvements placed upon the Subject Land by Lessee in conformance with Paragraph 10.2 shall be the property of Lessee or any successor in interest ("Owner") and shall, unless they become the property of Lessor, be subject to assessment for taxes in the name of the Owner, as other property.

10.7 The Lessee or Owner shall be entitled to reimbursement for improvements authorized in accordance with Paragraph 10.2 by any subsequent lessee or purchaser of the Subject Land upon expiration of this Lease as provided by A.R.S. § 37-322.02 or any successor statute, subject to any rights acquired by the Lessor under Paragraph 3.4.

ARTICLE 11
LESSEE'S COOPERATION: INGRESS AND EGRESS

11.1 Lessee shall cooperate with Lessor in Lessor's inspection, appraisal and management of the Subject Land and permit reasonable access by Lessor's employees to isolated State Land across Lessee's private land during the term of this Lease.

11.2 Lessee shall not interfere with the authorized activities of Lessor's employees, agents, licenses or other lessees or permittees on the Subject Land.

ARTICLE 12
LESSEE SHALL NOT PERMIT LOSS OR WASTE

12.1 Lessee shall not cause nor grant permission to another to cause any waste or loss in or upon the Subject Land. Lessee, its employees and agents shall not cut, consume or remove any timber, or standing trees that may be upon the Subject Land, without the prior written consent of Lessor, except that Lessee may cut wood for fuel for domestic uses and authorized improvements on the Subject Land. Nothing herein shall permit the cutting of saw timber for any purpose.

ARTICLE 13
NATIVE PLANTS AND ARCHAEOLOGICAL RESOURCES

13.1 Lessee shall comply with the provisions of the Arizona Native Plant Law (A.R.S. § 3-901 et seq., or any successor statutes) and with Arizona laws relating to archaeological discoveries (A.R.S. § 41-841 et seq., or any successor statutes). Lessee shall not disturb any cacti or other protected native plants nor disturb any ruins, burial grounds or other archaeological sites except as may be permitted by these laws.

ARTICLE 14
LESSEE SHALL PROTECT THE LAND, PRODUCTS AND IMPROVEMENTS

14.1 Lessee is hereby authorized to use means which are reasonable and which do not result in a breach of the peace or in creating a concealed hazard, to protect the Subject Land and improvements against waste, damage and trespass.

14.2 In the event of known trespass on the Subject Land resulting in damage thereto, Lessee shall make reasonable efforts to notify Lessor and appropriate law enforcement authorities.

ARTICLE 15
ASSIGNMENT, SUBLEASE AND PASTURAGE AGREEMENT

15.1 Lessee, if not in default in the payment of rent and having kept and performed all the conditions of this Lease may, with the written consent of Lessor, assign this Lease. An assignment of this Lease shall not be made without the consent of all the parties. In the event of assignment of this Lease, Lessee shall file with Lessor a copy of applications for transfer of all certificates for stockpounds on the Subject Land to assignee, as agent for the State of Arizona, showing that the applications have been filed with the appropriate governmental agency.

15.2 Lessee shall not sublease or sell or lease pasturage to lands included in the Lease without first obtaining the written consent of Lessor. The term "sublease" includes the transfer of control of all or part of the ranch unit or units containing the Subject Land. Notwithstanding any sublease, Lessee shall remain responsible to the Lessor for the performance of the provisions of this Lease. In no event may this Lease be sublet unless all rent due has been paid and all provisions of this Lease are complied with.

15.3 This Lease authorizes only the grazing of livestock bearing the registered brand(s) of Lessee or Lessee's immediate family. If Lessee wishes to permit the grazing of livestock bearing any other brands pursuant to pasturage agreements of any kind, Lessee must so inform Lessor prior to the release of such livestock on the Subject Land.

15.4 Copies of all assignments, subleases, or pasturage agreements pertaining to the Subject Land shall be filed with the Lessor.

ARTICLE 16

RESERVATIONS, RELINQUISHMENTS TO UNITED STATES

16.1 Lessor excepts and reserves out of the grant hereby made, all oils, gases, geothermal resources, coal, ores, minerals, fossils, fertilizers, common mineral products and materials, and all natural products of every kind that may be in or upon the Subject Land any legal claim existing or which may be established under the mineral land laws of the United States or the State of Arizona.

16.2 Lessor reserves the right to execute leases, permits, or sales agreements covering the Subject Land for the purpose of entering upon and prospecting for, and the extraction of such reserved materials.

16.3 Lessor reserves the right to grant rights of way, easements and sites over, across, under or upon the Subject Land for public highways, railroads, utility lines, pipelines, irrigation works, flood control, drainage works, logging and other purposes.

16.4 Lessor reserves the right to relinquish to the United States land needed for irrigation works in connection with a government reclamation project and to grant or dispose of rights of way and sites for canals, reservoirs, dams, power or irrigation plants or works, railroads, tramways, transmission lines or any other purpose or use on or over the Subject Land.

16.5 In the event of such relinquishment, grants or disposal, the Lessee waives all right to any compensation whatsoever as against the Lessor except as may be allowed under the provisions of Article 17, and as limited therein.

16.6 Upon the sale, exchange, redemption, relinquishment or taking, whether by eminent domain or institutional use, of all or any portion of the Subject Land shall terminate on the date of such taking as to the property so taken.

ARTICLE 17
CONDEMNATION AND EMINENT DOMAIN

17.1 If at any time during the duration of this Lease the whole or any part of the Subject Land shall be taken for any quasi-public or public purpose by any person, private or public corporation, or any governmental agency having authority to exercise the power of condemnation or eminent domain pursuant to any law, this Lease shall expire on the date when the leased property is taken or acquired as to the leased property so taken or acquired. Except as set forth below, the rights of Lessee and Lessor to compensation for such taking shall be as provided by law. The Lessee shall have no compensable right or interest in the real property being condemned or interest in the unexpired term of this Lease or any renewal except as provided by law and in any event no interest greater than 10 percent of the total award for the land. The Lessor shall be entitled to and shall receive any and all awards for severance damages to remaining proceedings concerning the Subject Land. Lessee shall have the right to (1) prorated reimbursement for prepaid rent, (2) any and all awards for payments made for any authorized improvements which are taken, and (3) severance damages for any damage to Lessee's remaining ranch operation resulting from the taking.

ARTICLE 18
WATER RIGHTS

18.1 The Lessee shall be entitled to the use on the Subject Land of groundwater as defined in A.R.S. § 45-101, or any successor statute, for purposes consistent with this Lease. If the Lessee shall develop any groundwater on the Subject Land, he shall not acquire any rights with respect to the groundwater, except the right to use such water in accordance with applicable law, on the Subject Land during the term of this Lease.

18.2 If the Lessee uses, on the Subject Land, groundwater from a source not on the Subject Land, that use alone shall not (1) cause such water or any rights with respect to that water to be appurtenant to the Subject Land, or (2) affect in any way the Lessee's rights with respect to the water.

18.3 The rights of the Lessor and the Lessee concerning the application for an establishment of any rights with respect to surface water as defined in A.R.S. § 45-101, or any successor statute, shall be governed by the laws of the State of Arizona.

18.4 Nothing in the provisions of this Lease shall affect the validity of any rights established by or for the Lessor or Lessee with respect to surface water, as defined in A.R.S. § 45-101, prior to the Commencement Date of this Lease.

18.5 The application for and establishment by the Lessor or Lessee (as agent of the State of Arizona) of any water rights shall be for the State of Arizona; such rights shall attach to and become appurtenant to the Subject Land.

18.6 Notwithstanding Paragraph 18.5 above, the Lessee, as agent of the State of Arizona, shall be entitled to any certificate of water right, issued pursuant to the Stockpond Registration Act, A.R.S. § 45-271 through 45-276 (as it may be amended) relating to a stockpond constructed as an authorized improvement on the Subject Land. Any such certificate and the rights it evidences and represents shall be appurtenant to the Subject Land and shall pass to any successor lessee; or, if the land is not leased but is retained by the State of Arizona, then to the State of Arizona; or if the land is sold, then to the purchaser.

18.7 The Lessee shall promptly notify the Lessor in writing of any initial filings made by the Lessee with any governmental agency or court concerning the establishment or adjudication of any claim to a water right relating to the Subject Land. Upon request of the Lessor, the Lessee shall furnish copies of any document filed with the agency or court.

ARTICLE 19 **DEFAULT AND CANCELLATION**

19.1 Violation by Lessee of any provision of this Lease shall be a default hereunder entitling Lessor to any and all remedies it may have under Arizona law.

19.2 Upon any such default, the Lease may be canceled pursuant to A.R.S. § 37-289 or any successor statute.

19.3 This contract is subject to cancellation pursuant to A.R.S. § 38-511.

ARTICLE 20 **HOLDOVER LESSEE**

20.1 Upon expiration or termination of this Lease, Lessee agrees to surrender to Lessor peaceful and uninterrupted possession of the Subject Land. Holdover tenancy by the Lessee is prohibited and shall be deemed a trespass for which Lessor may seek all appropriate civil and criminal remedies; except that a Lessee in good standing who has filed a timely application for renewal may continue to occupy and use the Subject Land, pursuant to the terms of this Lease, pending action on the renewal application by Lessor.

ARTICLE 21 **INDEMNIFICATION**

21.1 Except as provided by A.R.S. § 33-1551 (or its successor statutes), Lessee hereby expressly agrees to indemnify and hold Lessor harmless, or cause Lessor to be indemnified and held harmless from and against all liabilities, obligations, damages, penalties, claims, causes of action, costs, charges and expenses, including attorneys' fees and costs, which may be imposed upon or incurred by or asserted against Lessor by reason of the following: (a) any accident, injury or damage to any persons or property occurring on or about the Subject Land or any portion thereof resulting from Lessee's use of the Subject Land, (b) any use, non-use or condition of the Subject Land or any portion thereof resulting from Lessee's intentional actions or negligence, and (c) any failure on the part of Lessee to perform or comply with any of the provisions of this Lease; except such as may be the result solely of Lessor's intentional conduct or active negligence.

21.2 In case an action or proceeding is brought against Lessor by reason of any such occurrence, Lessee, upon Lessor's request and at Lessee's expense, will resist and defend such action or proceedings, or cause the same to be resisted and defended either by counsel designated by Lessee or, where such occurrence is covered by liability insurance, by counsel designated by the insurer.

21.3 Lessee shall protect, defend, indemnify and hold harmless the Lessor from and against all liabilities, obligations, losses, environmental responses, and clean up costs, charges and expenses, including attorneys' fees and court costs arising out of or related to the presence or existence of any substance regulated under any applicable Federal, State or local environmental laws, regulations or ordinances or amendments thereto because of: (a) any substance that came to be located on the Subject Land resulting from any use or occupancy of the Subject Land by the Lessee before or after the issuance of the Lease; or (b) any release, threatened release, escape, seepage, leakage, spillage, discharge or emission of any such substance in, on, under or from said Subject Land 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 Land.

ARTICLE 22

RENEWAL

22.1 Upon application to the Department not less than 30 nor more than 180 days prior to the Expiration Date, Lessee, if a bona fide resident of the State or legally authorized to transact business in the State, shall have a preferred right to renewal for a term not to exceed ten years, as provided by law, bearing even date with the Expiration Date. The preferred right of renewal shall not extend to a Lessee if there has not been substantial compliance with the terms of this Lease or if the Subject Land has not been placed to the use prescribed in this Lease, unless for good cause, the failure to perform was given written authorization by the Department. If the Department determines the continued leasing of the land to the Lessee is not in the best interest of the State, the Lease shall not be renewed.

ARTICLE 23

MISCELLANEOUS

23.1 This Lease grants Lessee only those rights expressly granted herein and Lessor retains and reserves all other rights in the Subject Land.

23.2 This Lease is subject to all current and subsequently enacted rules, regulations and laws applicable to State Lands and to the rights and obligations of Lessors and Lessees. No provisions of this Lease shall create any vested right in Lessee except as otherwise specifically provided in this Lease.

23.3 The Lessor shall be forever wholly absolved from any liability for damages which might result to the Lessee in the event this Lease is found to be void, canceled, forfeited or terminated prior to the Expiration Date or in the event this Lease is not renewed.

23.4 If it is determined that Lessor has failed to receive title to any of the Subject Land, the Lease is null and void insofar as it relates to the land to which Lessor has failed to receive title. Lessor shall not be liable to Lessee or any assignee or sublessee for any damages that result from Lessor's failure to receive title.

23.5 In any action arising out of this Lease, the prevailing party is entitled to recover reasonable attorneys' fees incurred therein in addition to the amount of any judgement, costs and other expenses as determined by the court. In the case of Lessor, reasonable attorneys' fees shall be calculated at the reasonable market value for such services when rendered by private counsel notwithstanding that it is represented by the Arizona Attorney General's Office or by other salaried counsel.

23.6 No provisions of this Lease shall create any right or interest in Lessee to a fee interest in the Subject Land.

23.7 Any notice to be given or other documents to be delivered to Lessee or Lessor hereunder shall be in writing and delivered to Lessee or Lessor by depositing same in the United States Mail, with prepaid postage addressed as follows:

To Lessor: Arizona State Land Department
1616 West Adams Street - First Floor
Phoenix, AZ 85007

To Lessee: Address of Record

Lessee must notify Lessor within thirty (30) days by written notice of any change in address. Lessor's notice shall be deemed adequate if sent to the Lessee's best known address of record and no change of address form is on file.

23.8 This Lease shall be governed by, construed and enforced in accordance with Arizona laws.

23.9 Any attempt to assign, sublease, convey, transfer or other-wise dispose of any estate or interest in this Lease, other than pursuant to its term, shall not be effective.

23.10 This Lease, together with all attached Appendices, embodies the whole agreement of the parties. There are no other agreements or terms, oral or written. This document supersedes all previous communications, representations and agreements, oral or written, between the parties.

23.11 THIS DOCUMENT is submitted for examination and shall have no binding effect on the parties unless and until executed by the Lessor (after execution by the Lessee), and a fully executed copy is delivered to the Lessee.

23.12 IN THE EVENT OF A DISPUTE between the parties to this Lease, it is agreed to use arbitration to resolve the dispute but only to the extent required by A.R.S. § 12-1518; and, in no event shall arbitration be employed to resolve a dispute which is otherwise subject to administrative review by the Department.

IN WITNESS HEREOF, the parties hereto have signed this Lease effective the day and year set forth previously herein.

STATE OF ARIZONA, LESSOR
Arizona State Land Commissioner

James K. Chilton, Jr. ✓
Lessee Date

Susan E. Chilton 2/16/98
Lessee Date

Lessee Date

By: [Signature] 2/23/98
Date

(SEAL)

✓ P.O. Box 423
Address

✓ Quivaca Az. 85601 ✓
City State Zip

STATE OF ARIZONA LAND DEPARTMENT
 616 W. ADAMS
 HOENIX, AZ 85007

RUN DATE: 5-feb-1998
 RUN TIME: 11:01:38

LEASE NUMBER: 005-094668-00-000
 AMENDMENT NUMBER: 1

Page 1

LAND#	LEGAL DESCRIPTION	C.C.	ACREAGE
5.0-S-10.0-E-25-10-031-1003	LOTS 4 5 SE LYING S OF AJO RD	1.5	139.000
5.0-S-10.0-E-34-10-031-1003	LOTS 1 THRU 9 14 THRU 21 25 THRU 34	1.4	136.310
5.0-S-10.0-E-35-10-031-1003	NESW S2SW SE	3.0	280.000
15.0-S-10.0-E-36-10-030-1002	ALL	7.0	640.000
15.0-S-11.0-E-31-10-031-1002	LOTS 1 THRU 4	1.9	179.310
16.0-S-10.0-E-01-10-031-1002	LOTS 1 THRU 4 S2N2 SW	4.6	425.760
16.0-S-10.0-E-02-10-030-1002	LOTS 1 THRU 4 S2	5.9	548.400
16.0-S-10.0-E-03-10-031-1002	LOTS 1 3 5 THRU 17 20 SW N2SE SESE	5.7	525.060
16.0-S-10.0-E-10-10-031-1002	LOT 2 E2NE NWNE NW	3.4	319.080
16.0-S-10.0-E-11-10-031-1002	N2	3.5	320.000
16.0-S-10.0-E-12-10-031-1005	NW	1.7	160.000
TOTALS:		39.6	3,672.920

APPENDIX A

PAGE 1 of 1

**STATE LAND DEPARTMENT
STATE OF ARIZONA**

GRAZING LEASE

Lease No. 05-914

THIS GRAZING LEASE is entered into by and between the State of Arizona "Lessor" by and through the Arizona State Land Department and

CHILTON RANCH and CATTLE COMPANY, a partnership, as "Lessee". In consideration of the payment of rent and of performance by the parties of each of the provisions set forth herein, the parties agree as follows:

**ARTICLE 1
SUBJECT LAND**

1.1 Lessor hereby leases to Lessee for the term, at the rent, and in accordance with the provisions set forth herein, the Subject Land described in Appendix A attached hereto ("Subject Land") for the uses and purposes specified in Article 4.

1.2 Lessee makes use of Subject Land "as is" and Lessor makes no express or implied warranties as to the physical condition of the Subject Land.

**ARTICLE 2
TERM**

2.1 The term of this Lease commences on November 24, 2002, and ends on November 23, 2012, unless terminated earlier as provided in this Lease.

**ARTICLE 3
RENT**

3.1 Lessee shall pay rent to Lessor for the use and occupancy of the Subject Land during the term of this Lease without offset or deduction and without notice or demand, as established, on an annual basis.

3.2 The annual base rent shall be set by Lessor in the manner established by law and paid in advance each year.

3.3 Each billing year in advance, Lessee shall inform Lessor, on forms to be provided by Lessor, whether Lessee intends to make full use, partial use or total non-use of the maximum allowable animal-unit-months for the Subject Land, so that the correct amount of rent may be billed by the Lessor. Lessee shall inform Lessor in writing of any subsequent change in the number of animal-unit-months which Lessee intends to use. If Lessee fails to provide Lessor with this information within the time stated in the form provided by Lessor, Lessee shall pay full-use rent.

3.4 There shall be added to any rent payment, annual or otherwise, which has become due and has not been paid, a penalty in the amount of 5% of the payment due. Interest, at the then current rate set by the Treasurer under A.R.S. § 37-241(D)(3), shall be added to any rent and penalty from and after the date that the rent payment becomes due. Any delinquent rent, penalty and interest shall be a lien on Lessee's improvements and other property on the Subject Land.

3.5 Prior to the time a rent payment, annual or otherwise, is due, upon Lessee's written request, Lessor at its discretion may extend the time for payment for an additional period not to exceed 90 days. There shall be added to the rent a penalty of 5% of the rent payment due and interest on the rent and penalty at the then current rate set by the Treasurer under A.R.S. § 37-241(D)(3), or any successor statute. The amount of the rent, penalty and interest shall be a lien on the Lessee's improvements and other property on the Subject Land.

3.6 If the annual rent is at any time one calendar year in arrears, this Lease shall automatically terminate, without right of appeal by Lessee or any leasehold mortgagee, and Lessor shall proceed to cancel it on the records of the Department.

ARTICLE 4 USE OF SUBJECT LAND

4.1 The Subject Land is leased to the Lessee for the purposes of ranging livestock and for uses related thereto and no other use, except as approved in writing by Lessor after written application by Lessee.

4.2 Feedlot operations on the Subject Land are prohibited, but this shall not be construed to prevent the temporary or supplemental feeding of livestock.

ARTICLE 5
LIVESTOCK CARRYING CAPACITY

5.1 The livestock carrying capacity for the Subject Land shall be determined by the Lessor and may be adjusted from time to time, subject to the appeal rights of Lessee as provided by law. The appraised carrying capacity of the Subject Land shall not be exceeded during any billing year unless Lessee obtains the prior written permission of Lessor and agrees to pay the additional fees determined by Lessor.

ARTICLE 6
DUTY TO INFORM LESSOR OF TOTAL RANCH HOLDINGS

6.1 At the time of making application for the Lease, Lessee shall disclose to Lessor, on a form provided by Lessor, the total acreage used for grazing within the ranch unit or units of which the Subject Land is a part. This shall include, in addition to the Subject Land, any federal land which Lessee grazes pursuant to a written lease or permit any private land owned by or used by Lessee, with a designation as to which private lands are used pursuant to written agreement. In addition, Lessee shall show, on a map form supplied by or acceptable to Lessor: (1) the approximate location of all fence lines and man-made water sources and (2) the land ownership status (state, federal, or private) of the ranch unit or units of which the land covered by this Lease is a part.

6.2 In any determination as to whether the carrying capacity of the Subject Land has been exceeded, no claimed grazing use of private or federal lands within the ranch unit or units which have not been disclosed as part of the ranch unit or units shall be considered.

6.3 For purposes of determining whether the Lessee has remained within the authorized carrying capacity under this Lease, it shall be presumed that all land within a fenced pasture (whether state, federal or private) has been grazed to the same extent by livestock placed in that pasture unless Lessee or Lessor can, based upon range suitability and management practices, demonstrate to the contrary.

ARTICLE 7
RECORDS

7.1 Lessee shall keep records showing the numbers of Lessee's livestock of different classes on the ranch unit or units, the dates put on and removed and estimated death loss.

7.2 Such records shall be retained for a minimum period of three years.

7.3 The Lessor may, upon reasonable notice to the Lessee, require the production of the records described in Paragraph 7.1 above. In the event a dispute arises concerning the

numbers of cattle grazed, the Lessee shall keep all documents and records until the dispute is finally resolved.

ARTICLE 8
TAXES; ADDITIONAL AMOUNTS

8.1 Lessee shall pay all assessments and charges for utilities and communication services, and assessments imposed pursuant to any construction on the Subject Land, all permit and authorization fees, all taxes, duties, charges and assessments of every kind of nature imposed by any public, governmental or political subdivision authority pursuant to any currently or subsequently enacted law, ordinance, regulation or order, which during the term of this Lease, become due or are imposed upon, charged against, measured by or become a lien on (a) the Subject Land, (b) any improvements or personal property of the Lessee located on the Subject Land, (c) the interest of the Lessee to this Lease or in the proceeds received by Lessee from any assignment or sublease of the Subject Land.

8.2 Lessee shall pay or cause to be paid all amounts required to be paid under Paragraph 8.1 before any interest, penalty, fine or cost accrues for nonpayment.

ARTICLE 9
WAIVER

9.1 Acceptance of rent payments by Lessor shall not constitute a waiver by Lessor of any violation by Lessee of the provisions of this Lease.

9.2 No waiver of a breach of any provision of this Lease shall be construed as a waiver of any succeeding breach of the same or any other provision.

ARTICLE 10
IMPROVEMENTS

10.1 All buildings, fences, wells, pumps, pipelines, corrals, pens, range improvement practices (i.e., root plowing, land imprinting, clearing, etc.) and other structures of every kind and nature which exist, at anytime, on, above, or below the Subject Land or on a portion thereof and which are not portable in nature are considered "improvements" under this Lease.

10.2 Lessee may construct improvements on the Subject Land if:

- (a) Lessee has filed an Application to Place Improvements with Lessor, attaching any necessary written approvals from regulatory authorities; and

(b) Lessor has granted written approval for the construction of such improvements.

10.3 Any improvements placed on the Subject Land which have not been approved as required by Paragraph 10.2 shall be forfeited to and become property of the Lessor, and Lessee shall be liable to Lessor for all damage to the Subject Land caused by such unauthorized improvements and for any expenses incurred by the Lessor in restoring the Subject Land.

10.4 Lessee shall have the right to remove all of its personal property which can be removed without damaging the Subject Land within 60 days prior to, or 90 days following the Expiration Date or the earlier termination of the Lease.

10.5 Improvements placed on the Subject Land shall conform to all applicable federal, state, county and municipal laws and ordinances.

10.6 All improvements placed upon the Subject Land by Lessee in conformance with Paragraph 10.2 shall be the property of Lessee or any successor in interest ("Owner") and shall, unless they become the property of Lessor, be subject to assessment for taxes in the name of the Owner, as other property.

10.7 The Lessee or Owner shall be entitled to reimbursement for improvements authorized in accordance with Paragraph 10.2 by any subsequent lessee or purchaser of the Subject Land upon expiration of this Lease as provided by A.R.S. § 37-322.02 or any successor statute, subject to any rights acquired by the Lessor under Paragraph 3.4.

ARTICLE 11

LESSEE'S COOPERATION; INGRESS AND EGRESS

11.1 Lessee shall cooperate with Lessor in Lessor's inspection, appraisal and management of the Subject Land and permit reasonable access by Lessor's employees to isolated State Land across Lessee's private land during the term of this Lease.

11.2 Lessee shall not interfere with the authorized activities of Lessor's employees, agents, licenses or other lessees or permittees on the Subject Land.

ARTICLE 12

LESSEE SHALL NOT PERMIT LOSS OR WASTE

12.1 Lessee shall not cause nor grant permission to another to cause any waste or loss in or upon the Subject Land. Lessee, its employees and agents shall not cut, consume or remove any timber, or standing trees that may be upon the Subject Land, without the prior

written consent of Lessor, except that Lessee may cut wood for fuel for domestic uses and authorized improvements on the Subject Land. Nothing herein shall permit the cutting of saw timber for any purpose.

ARTICLE 13
NATIVE PLANTS AND ARCHAEOLOGICAL RESOURCES

13.1 Lessee shall comply with the provisions of the Arizona Native Plant Law (A.R.S. § 3-901 et seq., or any successor statutes) and with Arizona laws relating to archaeological discoveries (A.R.S. § 41-841 et seq., or any successor statutes). Lessee shall not disturb any cacti or other protected native plants nor disturb any ruins, burial grounds or other archaeological sites except as may be permitted by these laws.

ARTICLE 14
LESSEE SHALL PROTECT THE LAND, PRODUCTS AND IMPROVEMENTS

14.1 Lessee is hereby authorized to use means which are reasonable and which do not result in a breach of the peace or in creating a concealed hazard, to protect the Subject Land and improvements against waste, damage and trespass.

14.2 In the event of known trespass on the Subject Land resulting in damage thereto, Lessee shall make reasonable efforts to notify Lessor and appropriate law enforcement authorities.

ARTICLE 15
ASSIGNMENT, SUBLEASE AND PASTURAGE AGREEMENT

15.1 Lessee, if not in default in the payment of rent and having kept and performed all the conditions of this Lease may, with the written consent of Lessor, assign this Lease. An assignment of this Lease shall not be made without the consent of all the parties. In the event of assignment of this Lease, Lessee shall file with Lessor a copy of applications for transfer of all certificates for stockpounds on the Subject Land to assignee, as agent for the State of Arizona, showing that the applications have been filed with the appropriate governmental agency.

15.2 Lessee shall not sublease or sell or lease pasturage to lands included in the Lease without first obtaining the written consent of Lessor. The term "sublease" includes the transfer of control of all or part of the ranch unit or units containing the Subject Land. Not with-standing any sublease, Lessee shall remain responsible to the Lessor for the performance of the provisions of this Lease. In no event may this Lease be sublet unless all rent due has been paid and all provisions of this Lease are complied with.

15.3 This Lease authorizes only the grazing of livestock bearing the registered brand(s) of Lessee or Lessee's immediate family. If Lessee wishes to permit the grazing of livestock bearing any other brands pursuant to pasturage agreements of any kind, Lessee must so inform Lessor prior to the release of such livestock on the Subject Land.

15.4 Copies of all assignments, subleases, or pasturage agreements pertaining to the Subject Land shall be filed with the Lessor.

ARTICLE 16
RESERVATIONS, RELINQUISHMENTS TO UNITED STATES

16.1 Lessor excepts and reserves out of the grant hereby made, all oils, gases, geothermal resources, coal, ores, minerals, fossils, fertilizers, common mineral products and materials, and all natural products of every kind that may be in or upon the Subject Land any legal claim existing or which may be established under the mineral land laws of the United States or the State of Arizona.

16.2 Lessor reserves the right to execute leases, permits, or sales agreements covering the Subject Land for the purpose of entering upon and prospecting for, and the extraction of such reserved materials.

16.3 Lessor reserves the right to grant rights of way, easements and sites over, across, under or upon the Subject Land for public highways, railroads, utility lines, pipelines, irrigation works, flood control, drainage works, logging and other purposes.

16.4 Lessor reserves the right to relinquish to the United States land needed for irrigation works in connection with a government reclamation project and to grant or dispose of rights of way and sites for canals, reservoirs, dams, power or irrigation plants or works, railroads, tramways, transmission lines or any other purpose or use on or over the Subject Land.

16.5 In the event of such relinquishment, grants or disposal, the Lessee waives all right to any compensation whatsoever as against the Lessor except as may be allowed under the provisions of Article 17, and as limited therein.

16.6 Upon the sale, exchange, redemption, relinquishment or taking, whether by eminent domain or institutional use, of all or any portion of the Subject Land shall terminate on the date of such taking as to the property so taken.

ARTICLE 17
CONDEMNATION AND EMINENT DOMAIN

17.1 If at any time during the duration of this Lease the whole or any part of the Subject Land shall be taken for any quasi-public or public purpose by any person, private or public corporation, or any governmental agency having authority to exercise the power of condemnation or eminent domain pursuant to any law, this Lease shall expire on the date when the leased property is taken or acquired as to the leased property so taken or acquired. Except as set forth below, the rights of Lessee and Lessor to compensation for such taking shall be as provided by law. The Lessee shall have no compensable right or interest in the real property being condemned or interest in the unexpired term of this Lease or any renewal except as provided by law and in any event no interest greater than 10 percent of the total award for the land. The Lessor shall be entitled to and shall receive any and all awards for severance damages to remaining proceedings concerning the Subject Land. Lessee shall have the right to (1) prorated reimbursement for prepaid rent, (2) any and all awards for payments made for any authorized improvements which are taken, and (3) severance damages for any damage to Lessee's remaining ranch operation resulting from the taking.

ARTICLE 18
WATER RIGHTS

18.1 The Lessee shall be entitled to the use on the Subject Land of groundwater as defined in A.R.S. § 45-101, or any successor statute, for purposes consistent with this Lease. If the Lessee shall develop any groundwater on the Subject Land, he shall not acquire any rights with respect to the groundwater, except the right to use such water in accordance with applicable law, on the Subject Land during the term of this Lease.

18.2 If the Lessee uses, on the Subject Land, groundwater from a source not on the Subject Land, that use alone shall not (1) cause such water or any rights with respect to that water to be appurtenant to the Subject Land, or (2) affect in any way the Lessee's rights with respect to the water.

18.3 The rights of the Lessor and the Lessee concerning the application for an establishment of any rights with respect to surface water as defined in A.R.S. § 45-101, or any successor statute, shall be governed by the laws of the State of Arizona.

18.4 Nothing in the provisions of this Lease shall affect the validity of any rights established by or for the Lessor or Lessee with respect to surface water, as defined in A.R.S. § 45-101, prior to the Commencement Date of this Lease.

18.5 The application for and establishment by the Lessor or Lessee (as agent of the State of Arizona) of any water rights shall be for the State of Arizona; such rights shall attach to and become appurtenant to the Subject Land.

18.6 Notwithstanding Paragraph 18.5 above, the Lessee, as agent of the State of Arizona, shall be entitled to any certificate of water right, issued pursuant to the Stockpond Registration Act, A.R.S. § 45-271 through 45-276 (as it may be amended) relating to a stockpond constructed as an authorized improvement on the Subject Land. Any such certificate and the rights it evidences and represents shall be appurtenant to the Subject Land and shall pass to any successor lessee; or, if the land is not leased but is retained by the State of Arizona, then to the State of Arizona; or if the land is sold, then to the purchaser.

18.7 The Lessee shall promptly notify the Lessor in writing of any initial filings made by the Lessee with any governmental agency or court concerning the establishment or adjudication of any claim to a water right relating to the Subject Land. Upon request of the Lessor, the Lessee shall furnish copies of any document filed with the agency or court.

ARTICLE 19 **DEFAULT AND CANCELLATION**

19.1 Violation by Lessee of any provision of this Lease shall be a default hereunder entitling Lessor to any and all remedies it may have under Arizona law.

19.2 Upon any such default, the Lease may be canceled pursuant to A.R.S. § 37-289 or any successor statute.

19.3 This contract is subject to cancellation pursuant to A.R.S. § 38-511.

ARTICLE 20 **HOLDOVER LESSEE**

20.1 Upon expiration or termination of this Lease, Lessee agrees to surrender to Lessor peaceful and uninterrupted possession of the Subject Land. Holdover tenancy by the Lessee is prohibited and shall be deemed a trespass for which Lessor may seek all appropriate civil and criminal remedies; except that a Lessee in good standing who has filed a timely application for renewal may continue to occupy and use the Subject Land, pursuant to the terms of this Lease, pending action on the renewal application by Lessor.

ARTICLE 21 **INDEMNIFICATION**

21.1 Except as provided by A.R.S. § 33-1551 (or its successor statutes), Lessee hereby expressly agrees to indemnify and hold Lessor harmless, or cause Lessor to be indemnified and held harmless from and against all liabilities, obligations, damages, penalties, claims, causes

of action, costs, charges and expenses, including attorneys' fees and costs, which may be imposed upon or incurred by or asserted against Lessor by reason of the following: (a) any accident, injury or damage to any persons or property occurring on or about the Subject Land or any portion thereof resulting from Lessee's use of the Subject Land, (b) any use, non-use or condition of the Subject Land or any portion thereof resulting from Lessee's intentional actions or negligence, and (c) any failure on the part of Lessee to perform or comply with any of the provisions of this Lease; except such as may be the result solely of Lessor's intentional conduct or active negligence.

21.2 In case an action or proceeding is brought against Lessor by reason of any such occurrence, Lessee, upon Lessor's request and at Lessee's expense, will resist and defend such action or proceedings, or cause the same to be resisted and defended either by counsel designated by Lessee or, where such occurrence is covered by liability insurance, by counsel designated by the insurer.

21.3 Lessee shall protect, defend, indemnify and hold harmless the Lessor from and against all liabilities, obligations, losses, environmental responses, and clean up costs, charges and expenses, including attorneys' fees and court costs arising out of or related to the presence or existence of any substance regulated under any applicable Federal, State or local environmental laws, regulations or ordinances or amendments thereto because of: (a) any substance that came to be located on the Subject Land resulting from any use or occupancy of the Subject Land by the Lessee before or after the issuance of the Lease; or (b) any release, threatened release, escape, seepage, leakage, spillage, discharge or emission of any such substance in, on, under or from said Subject Land 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 Land.

ARTICLE 22 **RENEWAL**

22.1 Upon application to the Department not less than 30 nor more than 180 days prior to the Expiration Date, Lessee, if a bona fide resident of the State or legally authorized to transact business in the State, shall have a preferred right to renewal for a term not to exceed ten years, as provided by law, bearing even date with the Expiration Date. The preferred right of renewal shall not extend to a Lessee if there has not been substantial compliance with the terms of this Lease or if the Subject Land has not been placed to the use prescribed in this Lease, unless for good cause, the failure to perform was given written authorization by the Department. If the Department determines the continued leasing of the land to the Lessee is not in the best interest of the State, the Lease shall not be renewed.

ARTICLE 23
MISCELLANEOUS

23.1 This Lease grants Lessee only those rights expressly granted herein and Lessor retains and reserves all other rights in the Subject Land.

23.2 This Lease is subject to all current and subsequently enacted rules, regulations and laws applicable to State Lands and to the rights and obligations of Lessors and Lessees. No provisions of this Lease shall create any vested right in Lessee except as otherwise specifically provided in this Lease.

23.3 The Lessor shall be forever wholly absolved from any liability for damages which might result to the Lessee in the event this Lease is found to be void, canceled, forfeited or terminated prior to the Expiration Date or in the event this Lease is not renewed.

23.4 If it is determined that Lessor has failed to receive title to any of the Subject Land, the Lease is null and void insofar as it relates to the land to which Lessor has failed to receive title. Lessor shall not be liable to Lessee or any assignee or sublessee for any damages that result from Lessor's failure to receive title.

23.5 In any action arising out of this Lease, the prevailing party is entitled to recover reasonable attorneys' fees incurred therein in addition to the amount of any judgement, costs and other expenses as determined by the court. In the case of Lessor, reasonable attorneys' fees shall be calculated at the reasonable market value for such services when rendered by private counsel notwithstanding that it is represented by the Arizona Attorney General's Office or by other salaried counsel.

23.6 No provisions of this Lease shall create any right or interest in Lessee to a fee interest in the Subject Land.

23.7 Any notice to be given or other documents to be delivered to Lessee or Lessor hereunder shall be in writing and delivered to Lessee or Lessor by depositing same in the United States Mail, with prepaid postage addressed as follows:

**To Lessor: Arizona State Land Department
1616 West Adams Street - First Floor
Phoenix, AZ 85007**

To Lessee: Address of Record

Lessee must notify Lessor within thirty (30) days by written notice of any change in address. Lessor's notice shall be deemed adequate if sent to the Lessee's best known address of record and no change of address form is on file.

23.8 This Lease shall be governed by, construed and enforced in accordance with Arizona laws.

23.9 Any attempt to assign, sublease, convey, transfer or otherwise dispose of any estate or interest in this Lease, other than pursuant to its term, shall not be effective.

23.10 This Lease, together with all attached Appendices, embodies the whole agreement of the parties. There are no other agreements or terms, oral or written. This document supersedes all previous communications, representations and agreements, oral or written, between the parties.

23.11 THIS DOCUMENT is submitted for examination and shall have no binding effect on the parties unless and until executed by the Lessor (after execution by the Lessee), and a fully executed copy is delivered to the Lessee.

23.12 IN THE EVENT OF A DISPUTE between the parties to this Lease, it is agreed to use arbitration to resolve the dispute but only to the extent required by A.R.S. § 12-1518; and, in no event shall arbitration be employed to resolve a dispute which is otherwise subject to administrative review by the Department.

STATE OF ARIZONA LAND DEPARTMENT
1616 W. ADAMS
PHOENIX, AZ 85007

RUN DATE: 27-NOV-2002
RUN TIME: 09:50:06
PAGE: 001

KE-LEASE#: 005-000914-00-003 APPTYPE: RENEWAL

AMENDMENT#: 0

<u>LAND#</u>	<u>LEGAL DESCRIPTION</u>	<u>AUS</u>	<u>ACREAGE</u>
16.0-S-10.0-E-09-10-031-1003	E2SW E2SWSW LY E OF STATE HWY 286 EX 1.74AC IN SESENESW	0.80	69.590
16.0-S-10.0-E-14-10-031-1000	ALL	8.00	640.000
16.0-S-10.0-E-15-10-031-1002	ALL	8.00	640.000
16.0-S-10.0-E-16-10-030-1002	E2 E2NW SWNW SW AND NWNW LY E OF STATE HWY 286	7.80	630.320
16.0-S-10.0-E-17-10-031-1000	SENE SE LY E OF STATE HWY 286	1.30	110.190
16.0-S-10.0-E-20-10-031-1000	E2NE SWNE SESW SE AND NWNE S2NW W2SW NESW LY E STATE HWY 286	6.20	497.430
16.0-S-10.0-E-21-10-031-1000	ALL	8.00	640.000
16.0-S-10.0-E-22-10-031-1002	ALL	8.00	640.000
16.0-S-10.0-E-23-10-031-1002	ALL	8.00	640.000
16.0-S-10.0-E-25-10-031-1000	ALL	8.00	640.000
16.0-S-10.0-E-26-10-031-1000	ALL	8.00	640.000
16.0-S-10.0-E-27-10-031-1000	NE S2NW S2	7.00	560.000
16.0-S-10.0-E-28-10-031-1000	ALL	8.00	640.000
16.0-S-10.0-E-30-10-031-1001	E2NE E2SESWNE SE E2SESW LY E OF STATE HWY 286 EX 12.96AC FOR 95- 85972 LY IN SESE E2E2SWSE AND EX 0.23AC LY IN NWSWSE	3.00	242.980
16.0-S-10.0-E-31-10-031-1000	LOT 4 E2 E2SE AND LOTS 2 3 E2NW LY E OF STATE HWY 286	6.70	542.430
16.0-S-10.0-E-32-10-030-1002	ALL	8.00	640.000
16.0-S-10.0-E-33-10-031-1004	ALL EX N 421.50FT OF W 361.50FT OF NWNENE	7.90	636.500
16.0-S-10.0-E-36-10-030-1002	ALL	8.00	640.000
16.0-S-11.0-E-28-10-031-1000	LOTS 1 THRU 4 W2E2 W2	8.00	642.640
16.0-S-11.0-E-29-10-031-1000	E2 E2W2	6.00	480.000
16.0-S-11.0-E-33-10-031-1002	LOTS 1 2 W2NE	2.00	161.910
17.0-S-09.0-E-01-10-031-1002	SENE E2SE SWSE AND LOTS 1 2 SWNE SESW NWSE LY SELY OF STATE HWY 286	3.60	294.000
17.0-S-09.0-E-12-10-031-1002	E2 E2W2 AND W2W2 LY E OF STATE HWY 286	7.40	595.000
17.0-S-09.0-E-13-10-031-1002	ALL	8.00	640.000
17.0-S-09.0-E-23-10-031-1002	E2E2 AND E2W2E2 LY E OF STATE HWY 286	2.50	207.000

STATE OF ARIZONA LAND DEPARTMENT
1616 W. ADAMS
PHOENIX, AZ 85007

RUN DATE: 27-NOV-2002
RUN TIME: 09:50:06
PAGE: 002

KE-LEASE#: 005-000914-00-003

RENEWAL

<u>LAND#</u>	<u>LEGAL DESCRIPTION</u>	<u>AUS</u>	<u>ACREAGE</u>
17.0-S-09.0-E-24-10-031-1002	ALL	8.00	640.000
17.0-S-10.0-E-02-10-030-1002	LOTS 1 THRU 4 S2N2 S2	6.90	638.640
17.0-S-10.0-E-04-10-031-1000	LOTS 1 THRU 4 S2N2 S2	7.90	639.120
17.0-S-10.0-E-05-10-031-1002	LOTS 1 THRU 4 S2N2 S2	7.90	637.280
17.0-S-10.0-E-06-10-031-1002	LOTS 5 THRU 7 SENW E2SW SE	5.00	400.390
17.0-S-10.0-E-06-10-050-1000	LOTS 1 THRU 4 S2NE	2.90	238.570
17.0-S-10.0-E-07-10-031-1002	LOTS 1 THRU 4 E2W2 E2	8.00	641.360
17.0-S-10.0-E-08-10-031-1002	ALL	8.00	640.000
17.0-S-10.0-E-09-10-031-1000	ALL	8.00	640.000
17.0-S-10.0-E-14-10-031-1002	SW SWSE	2.10	200.000
17.0-S-10.0-E-15-10-031-1002	ALL	7.00	640.000
17.0-S-10.0-E-16-10-030-1002	ALL	8.00	640.000
17.0-S-10.0-E-17-10-031-1002	ALL	8.00	640.000
17.0-S-10.0-E-18-10-031-1002	LOTS 1 THRU 4 E2W2 E2	8.00	642.800
17.0-S-10.0-E-19-10-031-1002	LOTS 1 THRU 4 E2W2 E2	8.00	644.150
17.0-S-10.0-E-20-10-031-1002	ALL	8.00	640.000
17.0-S-10.0-E-21-10-031-1002	ALL	8.00	640.000
17.0-S-10.0-E-22-10-031-1002	ALL	7.00	640.000
17.0-S-10.0-E-23-10-031-1000	LOTS 3 4 W2SE	1.20	114.760
17.0-S-10.0-E-24-10-031-1000	W2NE	0.80	80.000
17.0-S-10.0-E-25-10-031-1002	LOT 1 E2NW SWNW E2 SW	6.90	637.520
17.0-S-10.0-E-27-10-031-1002	N2	3.50	320.000
17.0-S-10.0-E-28-10-031-1002	ALL	8.00	640.000
17.0-S-10.0-E-29-10-031-1002	ALL	8.00	640.000
17.0-S-10.0-E-30-10-031-1002	LOTS 1 THRU 4 E2W2 E2	8.00	646.160
TOTALS:		321.30	26,230.740

IN WITNESS HEREOF, the parties hereto have signed this Lease effective the day and year set forth previously herein.

STATE OF ARIZONA, LESSOR
Arizona State Land Commissioner

By: Junda Fortney 12/3/02
Date

(SEAL)

Chilton Ranch & Cattle Co.
✓ Lessee Date
Kenneth Chilton 12-2-02
Lessee Date
Thomas B. Chilton 12-2-02
Lessee Date
14060 S. Stagecoach
✓ Address
Tucson AZ 85736
✓ City State Zip

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

GRAZING LEASE

| STATE AZ
| OFFICE 046
| OPERATOR NUMBER 022805
| PREFERENCE CODE 15
| DATE PRINTED 08/31/00
| TERM 09/01/2000 TO 02/28/2010

CHILTON RANCH AND
CATTLE COMPANY
SASABE STAR ROUTE
BOX 638
TUCSON, AZ 85736

BUREAU OF LAND MANAGEMENT
TUCSON FIELD OFFICE
12661 E BROADWAY
TUCSON, AZ 85748

THIS GRAZING LEASE IS OFFERED TO YOU BASED ON YOUR RECOGNIZED GRAZING PREFERENCE ON THE PUBLIC LANDS AND/OR OTHER LANDS ADMINISTERED BY THE BLM. YOU ARE AUTHORIZED TO MAKE GRAZING USE TO THE EXTENT OF YOUR ACTIVE GRAZING PREFERENCE AS SHOWN BELOW UPON YOUR ACCEPTANCE OF THE TERMS AND CONDITIONS INCORPORATED HEREIN AND YOUR PAYMENT OF GRAZING FEES.

ALLOT

PASTURE	LIVESTOCK		GRAZING PERIOD		TYPE	AUM'S
	NUMBER	KIND	BEGIN	END	%PL USE	
06204 DIAMOND BELL	6	CATTLE	03/01	02/28	100 ACTIVE	72

TERMS AND CONDITIONS:

"THIS LEASE IS RENEWED PURSUANT TO THE PROVISIONS OF SECTION 123 OF PUBLIC LAW 106-113 (ENACTED ON NOVEMBER 29, 1999). THE TERMS AND CONDITIONS OF GRAZING USE ARE THE SAME AS THOSE OF YOUR EXPIRING LEASE, OR TO THAT OF THE TRANSFEROR'S TERMINATED LEASE.

THE TERMS AND CONDITIONS CONTAINED IN THIS LEASE CONTINUE IN EFFECT UNTIL SUCH TIME AS THE BUREAU OF LAND MANAGEMENT COMPLETES THE PROCESSING OF THIS LEASE IN COMPLIANCE WITH ALL APPLICABLE LAWS AND REGULATIONS, AT WHICH TIME THIS LEASE MAY BE CANCELED, SUSPENDED OR MODIFIED, IN WHOLE OR PART, TO MEET THE REQUIREMENTS OF SUCH APPLICABLE LAWS AND REGULATIONS."

ADDITIONAL TERMS AND CONDITIONS TO THIS GRAZING LEASE ARE INCORPORATED AS ATTACHMENT A.

OPERATOR NUMBER: 022805

Received
OCT 17 2000
Tucson Field Office

ALLOTMENT SUMMARY (AUM'S)

ALLOT	P R E F E R E N C E		
	ACTIVE	SUSP	TOTAL
06204 DIAMOND BELL	72		72

THIS LEASE ; 1. CONVEYS NO RIGHT, TITLE OR INTEREST HELD BY THE UNITED STATES IN ANY LANDS OR RESOURCES AND 2. IS SUBJECT TO (A) MODIFICATION, SUSPENSION OR CANCELLATION AS REQUIRED BY LAND PLANS AND APPLICABLE LAW; (B) ANNUAL REVIEW AND TO MODIFICATION OF TERMS AND CONDITIONS AS APPROPRIATE; AND (C) THE TAYLOR GRAZING ACT, AS AMENDED, THE FEDERAL LAND POLICY AND MANAGEMENT ACT, AS AMENDED, THE PUBLIC RANGELANDS IMPROVEMENT ACT, AND THE RULES AND REGULATIONS NOW OR HEREAFTER PROMULGATED THEREUNDER BY THE SECRETARY OF THE INTERIOR.

ACCEPTED:

SIGNATURE OF LESSEE: *William J. ...* DATE 10-7-00

AREA MANAGER: *...* DATE 10/23/00

Grazing Record No.: 2805

Allotment No./Name: 6204 / Valencia Mountain

LEGAL DESCRIPTION OF BLM LEASED LANDS

T. 17 S., R. 10 E.

Sec. 23: Lots 1 and 2

NW $\frac{1}{4}$ NE $\frac{1}{4}$, W $\frac{1}{2}$

Sec. 26: Lot 1

SE $\frac{1}{4}$ NE $\frac{1}{4}$

W $\frac{1}{2}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$

T. 16 S., R. 10 E.

Sec 27: NW $\frac{1}{4}$ NW $\frac{1}{4}$ HOAOLKRI

(check plat book)

Total: 758.10 Acres / Pima County

40.00

798.10

EW

BLM 798
STATE 22,965
PVT 200