

GRAZING LEASE

THIS GRAZING LEASE (this "Lease") is made and entered into this 16 day of January, 2012, by and between THE NATURE CONSERVANCY, a District of Columbia non-profit corporation, acting through its Arizona Chapter with a business address at 1510 E. Ft. Lowell Blvd., Tucson, Arizona 85719 (hereinafter "Lessor") and Lee Wood (hereinafter "Lessee") whose address for purposes of this Lease is P.O. Box 4122, Bisbee, Arizona 85603.

1. **AGREEMENT TO LEASE.** Lessor, for and in consideration of the covenants and promises hereinafter defined in this Lease, does hereby lease unto Lessee, for the purpose of grazing cattle and horses ("Livestock"), upon the premises described in **Exhibit A** attached hereto (the "Premises"). The term of this Lease shall commence on 16 Jan., 2012 (the "Commencement Date") and shall terminate on 15 June, 2012 (the "Termination Date"), the time between the Commencement Date and the termination Date is hereinafter referred to as the "Term"). Both parties acknowledge that there is significant and sufficient consideration and value to the Lessor by reason of the Lessee's active use of the Premises for the Lessee's specified agricultural activities. Both parties also acknowledge the significant and sufficient consideration and value to the Lessee by reason of the Lessee's use of the Premises for his agricultural purposes. Notwithstanding the foregoing, Lessee agrees to pay the sum of Two Hundred dollars (\$ 200.⁰⁰) as rent for the Premises during the Term.

2. **USE OF THE PREMISES.** Lessee shall use the Premises for the purpose of pasturing Livestock that shall not exceed more than ten (10) cows and six (6) horses and Lessee shall not without the written consent of Lessor, which consent shall be in the sole and absolute discretion of Lessor: (i) sublet or assign this Lease, or part thereof, or any interest therein; (ii) change the natural course of any waterway on said Premises; (iii) cut down trees growing on the Premises, nor will permit any other person to do so; (iv) allow the entry of any person for the purposes of outfitting, ecotourism, picking of berries or flowers or any other such plant material, fishing or hunting; (v) remove any sand, gravel, clay, stone, or any such substances existing on, or under the surfaces of said Premises; and (vi) bring into cultivation any of the Premises. Lessee shall control weeds and insects on the Premises in a sustainable manner, which necessitates that any application of pesticides be done so in a manner consistent with the labeled directions. Lessee hereby indemnifies Lessor for any environmental liabilities or losses as more particularly set forth in **Paragraph 6** of this Lease that may arise from Lessee's use of the Premises. To further mitigate such potential liability, Lessee shall not: (i) allow overgrazing of any of the Premises that has grass or forages; (ii) overload nutrient levels of the Premises or adjacent water bodies; (iii) allow pesticides to drift on to non-grazing portions of the Premises, including adjacent tracts of land and waterways; (iv) permit or allow to accumulate any waste material, debris, refuse or garbage; and (v) allow any contamination of the Premises by chemicals, oil spills, hydrocarbons or any other waste material.

3. **IMPROVEMENTS.** The Lessee shall not make major improvements, other than installation of fencing necessary to bound and impede the movement of the Livestock while

grazing, and what is considered normal repair and maintenance thereof, to the Premises without written permission of Lessor. Major improvements, without restricting the generality of the term, shall include water development, erosion control, electric fencing, building construction, clearing, breaking, and seeding to pasture and hay land ("Improvements"). In the case that Lessor approves of any Improvements, as provided herein, title to all Improvements shall vest in Lessor and no Improvements shall be sold, removed, disposed of or encumbered without written consent of Lessor.

4. **COMPLIANCE WITH LAW.** Lessee shall, at his own cost and expense, promptly execute and comply with all present or future rules, regulations, laws and orders of all governmental authorities that are or may become applicable to the Premises. Lessee hereby waives any claim against Lessor for any expense or damage resulting from compliance with said rules, regulations, laws and orders.

5. **INSPECTION AND ENTRY.** Lessor and Lessor's agent shall have the right to enter the Premises and any part thereof at any time.

6. **ENVIRONMENTAL ACTIONS AND INDEMNIFICATIONS.** Lessee agrees not to store in, on or under the Premises, any hazardous materials of any type, as defined by any local, state or federal agency, or any other toxic, corrosive, reactive, or ignitable material without first obtaining in each case all governmental approvals and permits required for such storage, and also obtaining the prior written approval of the Lessor. Lessee agrees to document all hazardous waste disposal, if any, by one of the following types of documentation: a hazardous waste manifest, a bill of lading from a bonded hazardous substance transporter showing shipment to a licensed hazardous waste facility; or a confirmation of receipt of materials from a recycler, a waste exchange operation, or other permitted hazardous waste management facility and to keep the same on file for no less than five (5) years following the Termination Date hereof. Lessee agrees not to generate hazardous and/or noxious effluents. Lessee agrees to allow reasonable access to the Premises for monitoring of the above by Lessor, the appropriate Department of Cochise County, Arizona, and the Arizona Department of Environmental Quality to assure compliance with the above as well as any other conditions relating to the use of the Premises. At any time during the Term of this Lease, Lessor shall have the right to have one (1) Level I environmental audit performed upon the Premises and adjacent areas at Lessee's sole expense to insure Lessee's performance hereunder. Lessor shall also have the right to perform additional Level I or Level II environmental audits at any time during the Term hereof and for a period of one (1) year following the Termination Date hereof and the cost of such audit shall be paid by Lessee.

Lessee hereby covenants and agrees that Lessee shall defend, indemnify and hold Lessor and Lessor's members, directors, officers, employees, agents and contractors and, its successors and assigns (collectively "Indemnitees"), harmless from and against any and all loss, damage, cost, expenses, injury or liability Indemnitees may suffer or incur by reason of the existence of (a) any "hazardous substance" as defined in §101(14) of the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), 42 U.S.C. 9601(4) or "Hazardous waste", "infectious waste" or "Hazardous materials" as defined in any applicable sections of the law of the State of Arizona or any local governmental authority,

including but not limited to, asbestos, petroleum products and their derivatives; (b) any additional substances or materials which at such time are classified or considered to be hazardous or toxic, or otherwise regulated under the laws of the State of Arizona or any other applicable laws, rules or regulations relating to the Premises and/or any adjacent lands; and (c) any substances or material listed in the U.S. Department of Transportation Table at 49 C.F.R. 172.01 and amendments thereto from time to time. This indemnification shall include the cost of processing, defending, settling or paying such claims against Indemnitees, including all attorneys' fees.

7. **NO PARTNERSHIP OR AGENCY RELATIONSHIP.** Nothing contained within this Lease shall be deemed to make Lessor and Lessee partners or joint venturers in the ranching and grazing of Livestock or to create a relationship of principal and agent between them, nor shall either Lessor Lessee hold themselves out as partners, joint venturers, or agents of the other contrary to the terms of this Lease by advertising or otherwise. Neither party shall be bound by any representation, act or omission whatsoever of the other contrary to the provisions of this Lease.

8. **MAINTENANCE OF PREMISES.** Lessee shall keep the Premises in a clean and safe condition at all times and shall be solely responsible for maintaining the fencing on the Premises and for any repairs made necessary by the actions or inaction of Lessee and Lessee's guest, invitees, employees and Livestock. Lessor shall be responsible for all other repairs to the Premises upon notice by Lessee to Lessor that such repairs are required; however, failure by Lessor to make such repairs shall not constitute a constructive eviction under this Lease.

Lessee acknowledges that immediately prior to execution of this Lease and Lessee's possession of the Premises, Lessee has inspected the Premises to the extent desired by Lessee and confirms that the Premises are suitable for the purpose of grazing Livestock as of the Commencement Date of the Lease.

In addition to the above, Lessee shall also be solely responsible at all times to insure that the Livestock are fully and completely confined within and upon the Premises. Lessee shall be solely liable for any injury or death to person(s) or damage to property caused as a result of the escape or release of Livestock from the Premises.

9. **SURRENDER OF PREMISES.** At the termination of this Lease or of Lessee's right of possession by lapse of time or otherwise, Lessee shall yield immediate possession of the Premises to Lessor, and deliver all keys, combinations, and locks to Lessor or Lessor's agent.

10. **RIGHTS AND REMEDIES.** If Lessee (i) fails to make payment of Rent, as and when due; (ii) permits the Premises to remain vacant or unoccupied by Livestock for a period that jeopardizes the agricultural status for assessment of property taxes; or (iii) in the event of the breach of any covenants or agreement contained in this Lease, Lessee's right to the possession of the Premises thereupon shall terminate without notice or demand, and the mere retention of possession thereafter by Lessee shall constitute a forcible detainer. Lessor shall thereupon have the right to accelerate all Rent remaining payable under this Lease and, if the Lessor so elects at its sole and absolute discretion, but not otherwise, this Lease shall thereupon terminate, and upon

the termination of Lessee's right of possession, whether this Lease be terminated or not, Lessee agrees to surrender possession of the Premises immediately. If Lessee fails to remove from the Premises any and all Livestock and/or articles of personal property therein, whether they be the property of Lessee or others, then in such case, Lessee hereby grants to Lessor full and complete right to enter the Premises and remove therefrom any such Livestock and/or articles of personal property as may be found therein and to dispose of such property without accounting to Lessee therefore, without any liability to Lessee or others whose property may be left on the Premises.

11. **GOVERNING LAW AND LITIGATION.** This Lease and the interpretation and enforcement thereof shall be governed by and construed according to the laws of the State of Arizona. The venue for any action in connection with this Lease shall be Cochise County, Arizona. In the event it shall be necessary for Lessor to bring suit to enforce any provision hereof, Lessee shall be responsible, in addition to the relief granted as a result of such litigation, for all costs and expenses of such litigation and a reasonable attorneys' fee as fixed by the Court, both on the trial and appellate levels. Both parties hereto hereby waive the right to jury trial in connection with any dispute concerning this Lease.

12. **LEGAL EXPENSES.** Lessee shall pay and discharge all costs, expenses and attorneys' fees, which shall be incurred or expended by Lessor due to breach of the covenants of this Lease by Lessee, the same constituting so much additional Rent hereunder, payable on demand.

13. **LESSOR'S RIGHTS NOT WAIVED.** The knowledge of any breach hereof by Lessee, or the giving of any notice or making any demand, whether according to any statutory provision or not, or any other act or waiver other than written waiver shall not be construed as a waiver of Lessor's right to act without notice or demand or of any other right hereby given to Lessor, or as an election not to proceed under the provisions of this Lease.

14. **RENEWAL.** Lessor may in its sole and absolute discretion agree to extend the Term for successive periods of six (6) months each under the terms and conditions of the original Term of this lease by sending written notice to Lessee of Lessor's consent to extending said lease for a new six (6) months term. The election by Lessor or Lessee to cancel the then-applicable Term shall be exercised by providing the other with thirty (30) days written notice and upon such expiration of the thirty (30) day notice the Term and this Lease shall expire. Notwithstanding anything to the contrary in the foregoing sentence, in the event Lessor does not consent to extend the Term, then this Lease shall expire by its terms without any action required by either Lessor or Lessee.

15. **LESSEE'S LIABILITY NOT WAIVED.** The obligation of Lessee to pay the Rent reserved hereby during the Term or during any extensions hereof pursuant to **Paragraph 14** of this Lease or any holdover tenancy shall not be deemed to be waived, released or terminated, by the service of any notice, demand for possession, notice that the tenancy hereby created will be terminated on the date therein named, the institution of any action of forcible detainer or ejectment or any judgment for possession that may be rendered in such action, or any other act or acts resulting in the termination of Lessee's right to possession of the Premises. The payment or receipt of Rent due shall not waive or affect any such notice, demand, suit or judgment or in any

manner waive, affect, change, modify or alter any rights or remedies of Lessor, and it is agreed that no act of Lessor, Lessor's agent in apparent acquiescence in, or failure to object to, any breach by Lessee of any other terms, covenants, conditions or agreements in this Lease shall not act as a bar to or waiver Lessor's right to thereafter insist upon the complete performance of all such terms, covenants, conditions and agreements herein contained.

16. **LESSOR'S REMEDIES CUMULATIVE.** The rights and remedies of the Lessor under this Lease are cumulative, and the use of one or more thereof shall not exclude or waive the right to the use of any other remedy.

17. **LESSEE TO INSURE POSSESSIONS.** Lessor is not an insurer of Lessee's person, Livestock, or possessions. Lessee agrees that all of Lessee's person and property on the Premises shall be at the risk of Lessee and that Lessee shall carry such insurance as Lessor deems necessary therefore. Accordingly, Lessee shall carry and provide to Lessor a liability insurance policy in the amount of no less than \$1,000,000.00 per occurrence. Lessee agrees that Lessor, Lessor's members, directors, officers, employees, agents and contractors shall not be liable for any damage to the person or property of Lessee or any other person occupying or visiting the Premises, sustained due to the condition of the Premises or any part thereof or any appurtenance thereof becoming out of repair (as example and not by way of limitation, damage caused by water, steam, sewerage, sewer gas or odors, heating, cooling, and ventilating equipment, bursting or leaking pipes, faucets and plumbing fixtures, mechanical breakdown or failure, electrical failure, security services or devices or mailboxes being misused or becoming temporarily out of order, and fire) or due to any act or neglect of any other person, or of neighboring property.

18. **BROKERAGE.** Lessee represents and warrants to Lessor that Lessee has not consulted, dealt or negotiated with any real estate broker, finder, salesperson or agent in connection with this Lease. Lessee hereby agrees to indemnify and hold harmless Lessor from any losses, damages, costs, liabilities or expenses, including reasonable costs and attorneys' fees (incurred in trial, appellate or post judgment proceedings) related to or arising out of any breach of this representation and warranty. This indemnity shall survive the expiration of the Term or any other termination of this Lease.

19. **CONDITION OF THE PROPERTY.** The Lessee is fully familiar with the physical condition of the Premises. The Lessor has made no representation of any nature in connection with condition of the Premises, including but not limited to its suitability for grazing and pasturing Livestock, and shall not be liable for any latent or patent defects thereon.

20. **NOTICES.** For all notices permitted to be sent pursuant to this Lease, any one of the following methods of delivery shall be sufficient: (i) United States certified mail, return receipt requested, which notice shall be conclusively presumed delivered three (3) business days following mailing; (ii) Federal Express or similar commercial overnight service, which notice shall be conclusively presumed delivered in accordance with the carrier's delivery records, but in no event later than three (3) business days following delivery to the carrier; (iii) by commercial courier with either a receipt of delivery signed by the addressee or a sworn affidavit executed by the courier that delivery was attempted but the addressee was absent or refused to sign or that

delivery was refused; (iv) by telefacsimile, with written confirmation showing the date and time of transmission and the number of pages transmitted, followed by mailing of the original by certified mail as set forth above; or (v) by electronic transmission as a digital file attached to an email, followed by mailing of the original by certified mail as set forth above. Notices shall be sent to the addresses shown at the beginning of this Lease.

21. **AGRICULTURAL CLASSIFICATION.** Lessee represents to Lessor that Lessee shall use the Premises in a manner consistent with the terms and conditions of this Lease at all times during the Term necessary for the Lessor to qualify for agricultural classification status under the applicable Cochise County requirements. Lessee represents and warrants to Lessor that as of the Commencement Date and throughout the Term of the Lease, Lessee shall comply with the requirements for the State of Arizona and Cochise County, Arizona to maintain the Premises in agricultural status for purposes of assessment for property taxes. Lessee acknowledges and agrees that the representations, warranties and requirements of this **Paragraph 21** are material conditions to Lessor consenting to and entering into this Lease and that the failure to comply with the same shall be a material breach of this Lease.

22. **ENTIRE AGREEMENT.** This Lease represents the entire agreement of the parties and may not be changed, altered, modified, or amended unless the same is in writing and is signed by all the parties hereto.

23. **TERMINATION.** Either party may cancel this Lease, for any reason, by giving at least thirty (30) days written notice to the other party at the address first set forth above.

IN WITNESS WHEREOF, the parties have executed this Grazing Lease effective as of the date and year written above.

LESSOR:

LESSEE:

THE NATURE CONSERVANCY, a District
of Columbia non-profit corporation

By: David B Harris

Its: Director of Protection

Lee Wood
Lee Wood

1-16-12

EXHIBIT A

DESCRIPTION OF LEASED PREMISES

All that real property located in the County of Cochise, State of Arizona more particularly described as follows:

PARCEL I:

A portion of the South half of Section 32, Township 23 South, Range 22 East, of the Gila and Salt River Base and Meridian, as shown on that Record of Survey recorded in Book 20 of Surveys, page 13, Cochise County, Arizona, more particularly described as follows:

COMMENCING at the Southwest corner of said Section 32;
thence North 00°03'22" West 100.00 feet along the West line of said Section 32 to a point on the Northerly line of State Highway 92;
thence North 89°58'03" East 769.93 feet along said Northerly line to the TRUE POINT OF BEGINNING;
thence North 00°03'22" West 2545.83 feet;
thence North 89°59'12" East 1876.74 feet along the North line of said Southwest quarter of Section 32;
thence North 89°59'12" East 2647.13 feet along the North line of the Southeast quarter of said Section 32;
thence South 00°03'12" East 1745.89 feet along the East line of the Southeast quarter of said Section 32;
thence South 89°58'06" West 1328.00 feet along a line parallel with the South line of the Southeast quarter of said Section 32;
thence South 00°03'12" West 798.47 feet along a line parallel with the East line of the Southeast quarter of said Section 32, to the said Northerly line of State Highway 92;
thence South 89°58'06" West 1319.13 feet along said Northerly line;
thence South 89°58'03" West 1876.62 feet along said line to the POINT OF BEGINNING.

PARCEL II:

A portion of the Southwest quarter of Section 32, Township 23 South, Range 22 East, of the Gila and Salt River Base and Meridian, as shown on that record of Survey recorded in Book 20 of Surveys, page 13, Cochise County, Arizona, more particularly described as follows:

COMMENCING at the Southwest corner of said Section 32;
thence North 00°03'22" West 100.00 feet along the West line of said Section 32 to a point on the Northerly line of State Highway 92, to the TRUE POINT OF BEGINNING;
thence North 00°03'22" West 2546.09 feet along the West line of said Section 32;
thence North 89°59'12" East 769.93 feet along the North line of said Southwest quarter of Section 32;
thence South 00°03'22" East 2545.83 feet along a line parallel with the West line of said Section 32;
thence South 89°58'03" West 769.93 feet along said Northerly line of State Highway 92 to the POINT OF BEGINNING.