

AGRICULTURAL & GRAZING LEASE OF STATE LANDS

This Lease is entered into by the Department of Corrections, (herein, Lessor and/or DOC), and John & Nancy Heide of Boulder, Montana, (herein, Lessee). The land that is the subject of the Lease is located near Boulder and is more particularly described in the attached exhibits, which are incorporated by reference as a part of this document. The total number of acres is approximately 925 acres. 153 acres in cropland and 772 acres in pasture land owned by the State of Montana Department of Corrections.

TERM OF YEARS: The term of this lease is ten (10) years, beginning January 1, 2015 through December 31, 2024.

PAYMENT: The Department of Corrections, in consideration of the payment of Nine Thousand dollars (\$9,000) to be tendered annually, hereby leases the above-described land to the Lessee. The Lessee, in consideration of the lease of the above described lands and the mutual agreements contained in this Lease hereby agrees to tender the annual payment to the Lessor on or before December 31, each year, with the first payment due and payable to the Lessor's office, located at 350 Conley Lake Rd. Deer Lodge, Montana, on or before December 31, 2015.

FURTHER AGREEMENTS: The parties to this Lease mutually agree to the following terms and conditions:

Lessee hereby agrees to seed and cultivate croplands in a husbandman-like manner. Lessee also agrees to rotate livestock on pasturelands in a husbandman-like manner and to prevent overgrazing and weed introduction. The Lessee further agrees to keep the land clear of weeds and care for it in accordance with approved farm methods as determined by the Lessor and the Department of Natural Resources and Jefferson County Weed Department.

Lessee agrees to maintain the existing improvements including fences, ditches and head gates and not to commit waste on the premises.

Lessor agrees to provide posts and wire to the Lessee for the maintenance of the fence at Lessor's cost.

SUBLEASING PREMISES: The Lessee shall not sublease the land without prior written approval of the DOC.

Since the subject property of this lease is owned by DOC and not controlled by the provisions of the State Trust Land, Lessee has exclusive right to grant or withhold permission for hunting on the property during the term of the Lease.

REPORTS: The Lessee shall submit reports as requested by the Lessor, including seeding and crop reports, weed control reports and improvement reports.

IMPROVEMENTS: Lessee may place improvements upon the lands under this Lease, upon written approval by the DOC. A report of proposed improvements, containing such information as the Lessor may request concerning the cost of the

improvements, their suitability for the uses ordinarily made of the land, and their character (whether fixed or moveable) shall be submitted to the Lessor prior to installation thereof on the premises.

LIENS: Lessor shall have a lien upon all buildings, structures, fences, and all other improvements, whether movable or not, and also upon all crops growing upon the land for any rentals due to Lessor.

NOXIOUS WEEDS: Lessee agrees, at his own expense and cost, to keep the land free from noxious weeds and to exterminate pests to the same extent as a reasonably prudent private landowner. If noxious weeds are present, then chemical application or other appropriate weed control measures must occur in time to prevent seed-set according to state law. Pests shall be exterminated to the extent required by the DOC.

FIRE PREVENTION & SUPPRESSION: The Lessee assumes all responsibility for carrying on, at his own cost and expense, all fire prevention and suppression work necessary or required to protect the foliage, trees buildings and structures on the land to the same extent as a reasonably prudent private landowner.

UNLAWFUL USE OF LANDS OR PREMISES: If any part of the lands or premises under this lease are used or allowed or permitted to be used for any purpose contrary to the laws of the State or of the United States, such unlawful use shall, in the discretion of the Lessor, constitute sufficient reason for the cancellation of the lease.

TERMINATION OF LEASE

Termination by Lessee: Lessee may terminate this Lease at any time with 60 days written notice to the Lessor. Notice shall be effective upon written notice delivered to the Lessor at the following address Montana Correctional Enterprises, 350 Conley Lake Road, Deer Lodge, Montana 59722. In case of Lessee's voluntary termination of the Lease, payment will be due and owing to DOC on or before the date of termination on pro rata basis.

Termination by Lessor: DOC may terminate this Lease for any of the following causes:

- 1) Fraud or misrepresentation, or for concealment of facts relating to the issue of the Lease;
- 2) Using the Land for purposes other than those authorized by the Lease;
- 3) Breach of the Terms of this Lease. Lessor may terminate this Lease for breach of its terms provided that Lessor notifies the Lessee in writing of the breach and allows Lessee 30 days to cure the breach prior to terminating the Lease; and
- 4) Any other cause which in the judgment of the Lessor makes the cancellation of the Lease necessary in order to do justice to all parties concerned and to protect the interest of the Lessor.

- 5) Such termination shall be effective upon written notice delivered to the Lessee at the following address John & Nancy Heide, 59 Upper Valley Road, Boulder, Montana 59632.
- 6) Upon termination, all rents shall be due and payable and shall be assessed upon a pro rata basis. Such termination shall not entitle the Lessee to any refund of rentals paid or exemption from the payment of any penalties or other compensation due.

RESERVATIONS: The DOC reserves all rights and interest to the land under this Lease other than those specifically granted by this Lease. These reservations include but are not limited to the following:

- 1) **Mineral and timber reservation:** All coal, oil, gas and other minerals and deposits of stone, gravel, sand, gems and other non-minerals valuable for building, mining or other commercial purposes and all timber and trees are excepted from the operation of this Lease. The Lessee shall not open any mine or quarry, pit or diggings situation on the said land whether such mine, quarry, pit or diggings was open on the date of this Lease or not. The Lessee shall not cut, remove, use or destroy any such timber or standing trees.
- 2) **Right of Way Reservation:** The DOC reserves a right-of way to the United States Government over the and above described for ditches, canals, tunnels, telephone and telegraph, and power lines now constructed or to be constructed by the United States Government. The State also reserves the right of granting rights-of-way on the above-described lands for other purposes. The DOC also reserves to itself and its representatives the right to enter upon the land embraced by the Lease for the purpose of prospecting and exploring for minerals and for the purpose of mining, drilling or developing and removing such minerals and for all operations relating thereto. DOC also reserves to itself and its' permittees the right to enter upon said land for the purpose of cutting and removing timber, wood, and other forest products, and for removing gravel, sand, building stone and other non-minerals. The DOC reserves the right to grant permits for advertising such as signs and billboards.
- 3) **Additional Reservation:** The DOC reserves the right to enter upon the land subject of this Lease to assure compliance with the conditions set forth herein.

SURRENDER OF PREMISES: Upon the Expiration or Termination of the Lease, the Lessee shall peaceably yield up and surrender the possession of the land and any improvements appurtenant thereto to the Lessor, or to the subsequent Lessee.

INDEMNIFICATION: The Lessees agrees to hold harmless and indemnify the State of Montana from any cause of action arising under the operation of this Lease from any losses to the State occasioned by the levy of any penalties, fines,

charges or assessments made against the above lands or crops growing upon the lands, by the United States Government because of any violation of or noncompliance with any federal farm program or the acts by the Lessee.

LAWS AND RULES: The Lessee agrees not to use or permit the use of the land for any purpose contrary to the laws of this State or the United States. Lessee further agrees to comply with all applicable laws and rules in effect on the date of this Lease or which may, from time to time be adopted.

IN WITNESS WHEREOF, the Lessor and the Lessee have caused this Lease to be executed in duplicate and the Director of the Department of Corrections; pursuant to the authority granted him has hereto set his hand this ____ day of February, 2015.

LESSEE

John Heide
John Heide, Lessee

Nancy Heide
Nancy Heide, Lessee

DEPARTMENT OF CORRECTIONS

By: *Mike Batista for M. Batista 7-13-15*
Mike Batista, Director

By: *Gayle M Lambert 2/23/15*
Gayle M Lambert, MCE Administrator and Co-Land Manager

By: *Ross Wagner 2-28-15*
Ross Wagner, MCE Ranch Director and Co-Land Manager

By: *Robert Lishman*
Legal Counsel

Parcel No. 1

A parcel of land located in the W ½, NW ¼, and NW ¼, SW ¼ of Section 3, Township 5 North, Range 4 West, P.M.M., Jefferson County, Montana, and more particularly described as follows:

Commencing at the northwest corner of Section 3, said point being the Point of Beginning; thence S 00° 08' 49" W 2587.20 feet along the west line of Section 3 to the west ¼ corner thereof; thence S 89° 57' 19" E 232.64 feet along the east-west mid-section line of Section 3 to a point on the easterly Right-of-Way line of State Highway F.A.S. 9-A (1); thence along a curve to the right, central angle of 5° 59' 08", radius of 2596.7 feet, an arc length of 271.28 feet to a point of tangency on the said Right-of-Way line; thence S 28° 39' E 281.8 feet along the easterly Right-of-Way line to a point; thence N 00° 08' 49" E 477.93 feet to a point on the east-west mid-section line; thence S 89° 57' 19" E 802.25 feet along the east-west mid-section line to the southeast corner of the SW ¼, NW ¼ of Section 3; thence N 00° 17' 30" E 2579.42 feet to the northeast corner of the NW ¼ NW ¼ of Section 3; thence N 80° 37' W 1320.0 feet along the north line of Section 3 to the Point of Beginning. **Described Lease Area Containing 79.56 Acres**

Parcel No. 2

A parcel of land located in the S 1/2 SW 1/4 of Section 34, Township 6 North, Range 4 West, P.M.M., Jefferson County, Montana, and more particularly described as follows:

Commencing at the southwest corner of Section 34, said point being the Point of Beginning; thence S 89° 37' E 2268.0 feet along the south line of Section 34 to a point; thence N 75° 00' W 1080.7 feet to a point; thence NORTH 300.0 feet to a point; thence S 86° 46' W 542.6 feet to a point; thence N 71° 31' W 717.2 feet to a point on the west line of Section 34; thence S 00° 09' W 761.30 feet along the west line of Section 34 to the Point of Beginning. **Described Lease Area containing 20.30 Acres.**

Parcel No. 3

A parcel of land located in the NW ¼, NE ¼ lying southerly of State Highway F.A.S. 9-A (1), SW ¼, and N ½ SE ¼ of Section 4, Township 5 North, Range 4 West, P.M.M., Jefferson County, Montana, and more particularly described as follows:

Commencing at the northwest corner of Section 4, said point being the point of Beginning; thence S 00° 03' 48" W 2585.96 feet along the west line of Section 4 to the West ¼ corner of said Section 4; thence S 00° 02' 24" W 2637.82 feet along the west line of Section 4 to the southwest corner of said Section 4; thence S 89° 40' 57" E 2616.19 feet along the south line of Section 4 to the South ¼ corner of said Section 4; thence N 00° 05' 57" E 1318.24 feet along the north-south mid-section line of Section 4 to the northwest corner of the SW ¼ SE ¼ of Section 4; thence S 89° 39' 59" E 964.28 feet along the north line of the SW ¼ SE ¼ to a point; thence N 50° 39' 09" W 2471.79 feet along the southerly line of the Boulder Airport property to a point; thence N 39° 20' 51" E 300.00 feet along the westerly boundary of the Boulder Airport to a point; thence S 50° 39' 09" E 2842.08 feet along the northerly line of the Boulder Airport to a point; thence N 39° 20' 51" E 150.00 feet along the Boulder Airport parking area to a point; thence S 50° 39' 09" E 185.1 feet along the Boulder Airport parking area to a point on the north line of the SE ¼ SE ¼ of Section 4; thence S 89° 39' 59" E 938.18 feet along the north line of the SE ¼ SE ¼ of Section 4 to the east line of Section 4; thence N 00° 08' 49" E 1317.5 feet along the east line of Section 4 to the East ¼ corner of said Section 4; thence N 00° 08' 49" E 214.8 feet along the east line of Section 4 to the

Parcel No. 3, continued

southerly Right-of-Way line of State Highway F.A.S. 9-A(1); thence along a curve to the left, central angle of $12^{\circ} 05' 10''$, radius of 2496.7 feet, an arc length of 526.67 feet to a point of tangency; thence N $59^{\circ} 23' W$ 3446.69 feet along the southerly Right-of-Way line of State Highway F.A.S. 9-A(1) to a point on the north line of Section 4; thence N $89^{\circ} 40' 00'' W$ 2124.28 feet along the north line of Section 4 to the point of Beginning. **Described Lease Area containing 444.86 Acres;**

LESS: An easement granted to the Boulder TV Cable Company comprising a 50 feet by 50 feet area located S $43^{\circ} 51' 28'' E$ 3170.6 feet from the northwest corner of Section 4.

Parcel No. 4

A parcel of land located in the NE $\frac{1}{4}$, and the NW $\frac{1}{4}$ of Section 4, Township 5 North, Range 4 West, P.M.M., Jefferson County, Montana, lying northerly of State Highway F.A.S. 9-A(1) and more particularly described as follows:

Commencing at the northeast corner of Section 4, said point being the Point of Beginning; thence N 89° 40' 00" W 2951.78 feet along the north line of Section 4 to a point on the northerly Right-of-Way line of State Highway F.A.S. 9-A(1); thence S 59° 23' E 3315.34 feet along the northerly Right-of-Way line of State Highway F.A.S. 9-A(1) to a point of curvature, curve to the right, central angle of 9° 33' 44" radius of 2596.7 feet, an arc length of 433.37 feet to a point on the east line of Section 4; thence N 00° 08' 49" E 2298.22 feet along the east line of Section 4 to the point of Beginning. **Describes Lease Area containing 76.43 Acres.**

Parcel No. 5

A parcel of land located in the NE ¼, and the NE ½ SE 1/4 of Section 5, Township 5 North, Range 4 West, P.M.M., Jefferson County, Montana, and more particularly described as follows:

Commencing at the North ¼ corner of said Section 5, said point being the Point of Beginning; thence S 89° 41' 00" E 1377.13 feet along the north line of Section 5 to a point; thence S 79° 37' 07" E 1270.87 feet along an existing fence line to a point on the east line of Section 5; thence S 00° 03' 48" W 2362.86 feet along the east line of Section 5 to the east ¼ corner of said Section 5; thence S 00° 02' 24" W 1318.91 feet along the east line of said Section 5 to the northeast corner of the SE ¼ SE ¼ of Section 5; thence N 88° 58' 58" W 2663.00 feet to the Northwest corner of the SW ¼ SE ¼ of Section 5; thence N 00° 32' 44" E 3872.55 feet along the north-south mid-section line of Section 5 to the Point of Beginning. **Described Lease Area containing 233.0 Acres;**

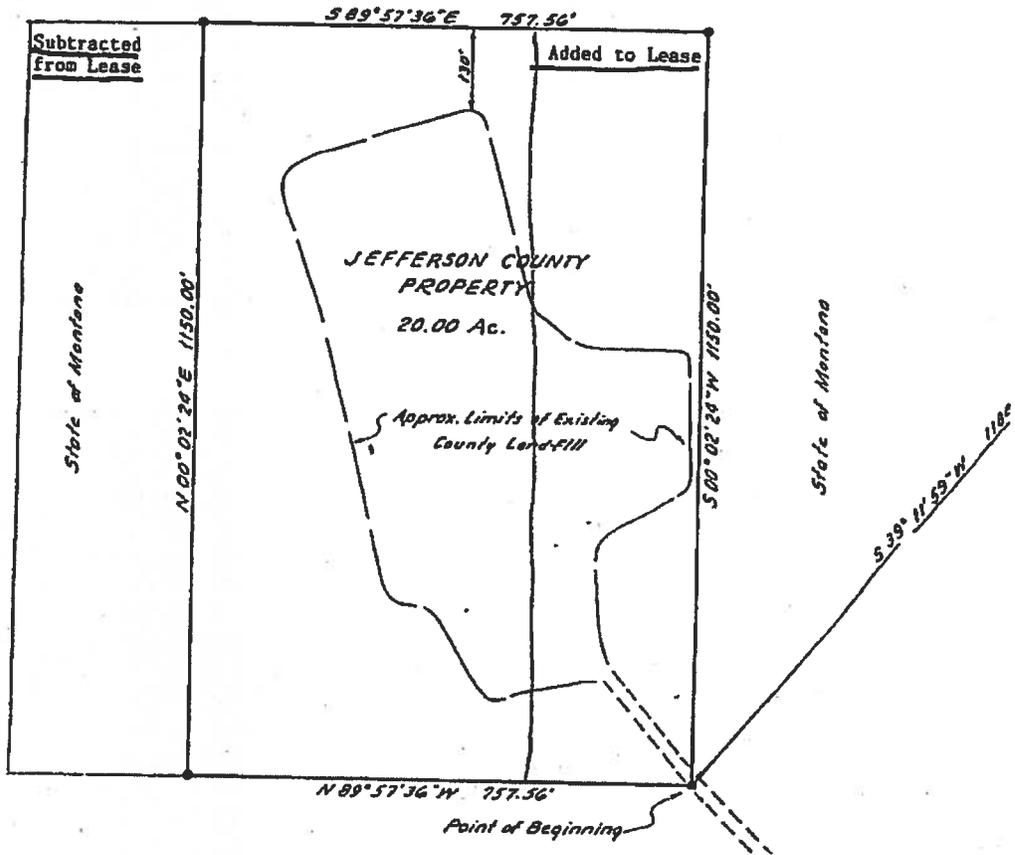
EXCEPTING THEREFROM: A 20.00 Acre parcel under previous lease to Jefferson County for use as a County Landfill, and further described as:

Commencing at a point from which the East ¼ corner of Section 5 bears N 39° 11' 59" E 1184.65 feet distant, said point being the Point of Beginning; thence N 89° 57' 36" W 757.56 feet to a point; thence N 00° 02' 24" E 1150.00 feet to a point; thence S 89° 57' 36" E 757.56 feet to a point, thence S 00° 02' 24" W 1150.00 feet to the Point of Beginning. **Described exception containing 20.00 Acres.**

- See attached modification which shall add a strip of land 800' X 1150' to the leased property on the East boundary, and subtract a similar strip of land on the West boundary as indicated.

Parcel No. 5, continued

State of Montana



Parcel No. 7

A parcel of land located in the SW $\frac{1}{4}$, of Section 33, Township 6 North, Range 4 West, P.M.M., Jefferson County, Montana, lying southerly of State Highway F.A.S. 9-A(1), and more particularly described as follows:

Commencing at a point from which the southwest corner of Section 33 bears N 89° 40' 00" W 30.00 feet distant, said point being the Point of Beginning; thence N 01° 20' 41" W 188.79 feet to a point, said point being the southwest corner of the County Fairgrounds Lease; thence S 87° 51' 39 " E 774.91 feet along an existing fence line to a point; thence N 06° 04' 49" E 379.50 along an existing fence line to a point; thence N 67° 09' 33" W 39.26 feet along an existing fence line to a point; thence N 19° 58' 13" E 307.17 feet along an existing fence line to a point; thence N 64° 54' 22" W 961.55 feet along an existing fence line to a point; thence N 02° 15' 29" E 67.25 feet to a point; thence N 01° 29' 34" E 271.83 feet to a point on the southerly Right-of-Way line of State Highway F.A.S. 9-A(1); thence S 52° 23' E 2621.40 feet along said southerly Right-of-Way line to the intersection with the south line of Section 33; thence N 89° 40' 00" W 2094.28 feet along said south line of Section 33 to the Point of Beginning. **Described Lease Area containing 21.91 Acres.**

Parcel No. 8

A parcel of land located in the SW ¼, and SE ¼ of Section 33, Township 6 North, Range 4 West, P.M.M., Jefferson County, Montana, and more particularly described as follows:

Commencing at a point from which the southwest corner of Section 33 bears S 42° 10' 06" W 2195.7 feet distant, said point being the Point of Beginning; thence N 07° 22' 11" E 725.05 feet along an existing fence line to a point; thence S 53° 55' 14" E 1416.88 feet to a point, said point being the southwest corner of the City of Boulder Lagoon; thence 42° 21' 35" E 157.82 feet along the south line of the lagoon to a point; thence S 53° 18' 30" E 111.36 feet along said south line of the lagoon to a point ; thence S 65° 33' 15" E 579.97 feet along said south line of the lagoon to a point; thence S 89° 05' 55" E 827.44 feet along said south line of the lagoon to a point; thence N 56° 04' 26" E 388.46 feet along said south line of the lagoon to a point; thence N 01° 38' 57" E 425.18 feet along the east line to a point; thence S 89° 40' 00" E 647.92 feet to the intersection with the east line of Section 33; thence S 00° 09' W 1744.4 feet along the east line of Section 33 to the southeast corner of said Section 33; thence N 89° 40' 00" W 2951.74 feet along the south line of said Section 33 to a point on the northerly Right-of-Way line of State Highway F.A.S. 9-A(1); thence N 52° 23' W 1621.84 feet along said northerly Right-of-Way line to a point; thence N 06° 56' 30" E 701.28 feet to a point; thence S 83° 16' 36" E 387.20 feet along an existing fence line to the point of Beginning.

The above parcel is reduced by the sewer lagoon and coinciding acreage deeded to the City of Boulder in 2011 (see attached map – outlined in pink).

Described Lease Area containing 84.55 Acres.

Parcel No. 8 Continued

