

LEASE AGREEMENT

THIS LEASE AGREEMENT is made by and between **FLYING-O RANCH COMMUNITY ASSOCIATION**, hereafter referred to as "Landlord" and **CIRCLE W RANCH**, hereinafter referred to as "Tenant."

WITNESSETH:

In consideration of the terms, covenants and conditions hereinafter set forth, the parties hereto hereby agree as follows:

1. LEASE PROPERTY

1.01 The property covered by the terms of this lease agreement consists of grazing rights on that certain real property known as "Flying O Ranch" located in the County of Madera, State of California, and more particularly described in Exhibit A attached hereto and incorporated by reference herein.

2. LEASE TERM

The term of the grazing lease shall be for a period of one year, commencing on the 1st of January 2005 and terminating the 31st day of December 2005.

3. RENTAL

3.01 In consideration of the terms of the lease, Tenant shall pay Landlord without offset, the sum of Four Thousand Seven Hundred and Sixty Dollars (\$4,760.) on execution hereof, based on the \$3.50 per acre rental for the year. The entire sum is due on January 1, 2005.

4. LEASE PURPOSE

4.01 This lease is for cattle grazing only and Landlord reserves any and all other rights to the use of the aforescribed premises. Tenant shall have the right to use any corrals, loading chutes, equipment or fixtures and water located on the Cattle Ranch Parcel (lot 27) and any other naturally occurring water sources on the entire premises used for cattle grazing purposes. Water may be drawn from developed wells, other than the existing well on Lot 27, only with the express written consent of the property owner.

4.02 Tenant agrees, to the extent possible and reasonable, to notify Landlord of intention to use cattle facilities (i.e. corrals, gathering field) and to leave such facilities in good repair and condition after use.

4.03 Tenant agrees to maintain existing perimeter fences and, except for emergency repairs, agrees to provide advance notice to Landlord before commencing any maintenance work. Tenant further agrees to remove from the premises any wire that is replaced during the term of the lease.

4.04 Tenant shall not make any control burns or roads on the leased premises without the express written consent of Landlord.

5. TREES, BRUSH AND FIREWOOD

5.01 Except on perimeter fence line trails, Tenant shall have no right to cut any trees or brush upon the leased premises without the written consent of Landlord. Landlord reserves the right to cut trees, brush and timber and remove the same from the leased premises.

5.02 Except for emergency clearing to secure a fence line, Tenant agrees to notify Landlord in advance of any brush removal on the perimeter fence line, and to work with the Landlord regarding the cleanup of brush and debris caused by such work.

6. WATER

6.01 Landlord makes no warranty as to the use or availability of water on all or any portion of the leased premises. The availability or lack thereof of water to or for the benefit of Tenant shall have no impact whatsoever on the obligation to pay lease payments or any other obligation contained in this lease.

7. LIENS AND ENCUMBERANCES

Tenant agrees not to suffer or allow any liens or encumbrances to attach to the real property caused or occasioned by Tenant or Tenant's acts, and agrees within ten (10) days after demand of Landlord to cause to be removed, any liens or encumbrance placed on the premises by, through or under Tenant's occupation of the property.

Tenant further agrees not to describe the lease premises in any financing agreement or security agreements made or executed by the Tenant during the term of this lease so as to prevent the same from appearing as a lien or encumbrance against the leased premises.

8. UNLAWFUL ACTS

Tenant and Landlord agree that they will not suffer or allow any unlawful acts to be performed by any employees of Tenant or Landlord upon the leased premises during the term of the lease to the extent that either Tenant or Landlord can reasonably prevent the occurrence of such acts.

9. DEFAULT

Upon breach of any condition, term or covenant herein Landlord must give tenant written notice of the breach. Tenant shall have thirty (30) days after written notice to cure said breach. If the breach is not cured within the time allowed, Landlord may re-enter the premises and take possession thereof, ousting all persons and animals associated with the Tenant therefrom without liability to any such person or property sustained by reason of such removal.

9.02 If after default and failure to cure the breach, any cattle are left on the premises, Landlord may, but shall not be required to, graze the cattle. If Landlord provides grazing for such cattle, Landlord shall have an Agister's Lien against said cattle for the costs and expense of grazing the same.

10. LITIGATION

In the event Landlord is involuntarily made a party to any litigation concerning this Lease of the leased premises by reason of any act or omission by Tenant, Tenant promises to hold Landlord harmless from all liability, including attorney's fees and costs incurred by Landlord in such litigation.

11. ASSIGNMENT

Tenant shall not during the term of this lease or any extension hereof have the right to assign this lease or to sublet any portion of all of the leased premises, nor shall Tenant allow the same to be assigned by operation of law.

This lease shall be binding upon and inure to the benefit of any Trustee of a trust established by Tenant, any executor or administrator of Tenant's estate, or hold his successors or devisees.

12. HOLD HARMLESS

Tenant agrees to hold Landlord harmless from any claims, demands, causes of action, complaints or judgments arising out of, or in any way connected with tenant's use and or occupation of the premises, including, but not limited to all expenses incurred by Landlord for attorney's fees and costs, witness fees, cost of preparation and trail of any action in connection therewith, and to indemnify Landlord against any judgments that may be obtained herein, all without offset as to claims by Tenant against Landlord. Notwithstanding the foregoing, Tenant shall not be required to hold Landlord harmless from any claims, demands, causes of action, complaints or judgments arising out of Landlord's gross negligence. Landlord agrees to hold Tenant harmless from any claims, demands, causes of action, complaints or judgments arising out of, or in any way connected with Landlord's use and or occupation of the premises, including, but not limited to all expenses incurred by Tenant for attorney's fees and costs, witness fees, cost of preparation and trail of any action in connection therewith, and to indemnify Tenant against any judgments that may be obtained herein, all without offset as to claims by Landlord against Tenant. Notwithstanding the foregoing, Landlord shall not be required to hold Tenant harmless from any claims, demands, causes of action, complaints or judgments arising out of Tenant's gross negligence.

13. NOTICE

Any notice given to Landlord by Tenant hereunder shall be given to Landlord addressed to Landlord at P.O. Box 111, O'Neals, CA 93645.

Any notice given by Landlord to Tenant shall be given to Tenant addressed to Tenant at P.O. Box 723, North Fork, CA 93643.

14. OPTION

If Tenant is not in breach of any provision of this lease, Tenant shall have the option to lease the premises for two (2) additional years at the expiration of the original lease term, at a rate to be negotiated each year and which reflects a fair market rate for similar properties in the area at that time.

Tenant agrees to notify Landlord of intent to exercise lease option by November 1 of the preceding year.

15. ATTORNEY FEES

In the event suit is brought to enforce or interpret any part of this agreement, the prevailing party shall be entitled to reasonable attorney's fees and costs to be set by the court.

16. GENERAL PROVISIONS

It is agreed that time is of the essence, and any waiver by Landlord of the prompt and punctual performance of any term, condition or covenant hereof is not construed to be a waiver for the prompt and punctual performance of the same or any other term, condition or covenant subsequently due.

This lease agreement shall be binding upon and inure to the benefit of trustees, administrators, executors and permitted assigns of the parties hereto.

IN WITNESS WHEREOF, the parties have hereunto set their hands this day of _____
December 2004.

Signature:

Signature:

Name:

Name:

CIRCLE W RANCH
“Tenant”

FLYING-O RANCH COMMUNITY
ASSOCIATION
“Landlord”

Document Dated 12/02/04