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**SUPERIOR COURT OF CALIFORNIA
METROPOLITAN DIVISION, COUNTY OF KERN**

**ANTELOPE VALLEY
GROUNDWATER CASES**

Included Actions:
Los Angeles County Waterworks District
No. 40 v. Diamond Farming Co., Superior
Court of California, County of Los
Angeles, Case No. BC 325201

Los Angeles County Waterworks District
No. 40 v. Diamond Farming Co., Superior
Court of California, County of Kern, Case
No. S-1500-CV-254348

Wm. Bolthouse Farms, Inc. v. City of
Lancaster, Diamond Farming Co. v. City of
Lancaster, Diamond Farming Co. v.
Palmdale Water Dist., Superior Court of
California, County of Riverside, Case Nos.
RIC 353 840, RIC 344 436, RIC 344 668

Judicial Council Coordination No. 4408

CLASS ACTION

Santa Clara Case No. 1-05-CV-049053

RESPONSES AND OBJECTIONS

TO

**DECEMBER 12, 2012
DISCOVERY ORDER**

I. INTRODUCTION

The court entered its Discovery Order for Phase 4 Trial on December 12, 2012 (the "Order"). The Order directed all parties claiming groundwater pumping rights in the Antelope Valley Adjudication Area to post on or before December 21, 2012 the information and materials described in the Order. These are the responses and objections of H&N DEVELOPMENT CO. WEST, INC. (the "Responding Party"), to the Order, which includes the table and supporting documents attached as **Exhibit A**.

II. DEFINITIONS

The following words and phrases, in addition to the words and phrases defined in part I hereof, shall govern the construction of these responses and objections unless the context otherwise requires:

1. "Ground 1" means that the matter sought is neither admissible in evidence nor reasonably calculated to lead to the discovery of admissible evidence. . (Code Civ. Proc., § 2017.010.)

2. "Ground 2" means that the information sought comes within the lawyer-client privilege. (Code Civ. Proc., § 2030.240(b).)

3. "Ground 3" means that the information sought is protected work-product under Code of Civil Procedure section 2018. (Code Civ. Proc., § 2030.240(b).)

4. "Ground 4" means that the Interrogatory seeks matter protected from premature disclosure by Code of Civil Procedure section 2034.210, and the Case Management Order for Phase 4 Trial dated December 12, 2012.

III. GENERAL RESPONSE

The Responding Party has not completed its investigation of the facts relating to this case, has not completed discovery concerning this case, and has not completed trial preparation. The responses in part IV hereof disclose only those contentions, and facts that are presently known by the Responding Party.

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IV. RESPONSES

Subject to the General Response contained in part III hereof and the objections contained in part IV hereof, the Responding Party responds to categories I and V of the Order as follows:

I. FOR ALL PARTIES CLAIMING AN OVERLYING GROUNDWATER RIGHT, INCLUDING PUBLIC WATER AND OTHER PRODUCERS WHO ALSO CLAIM A PRESCRIPTIVE RIGHT UNDER CATEGORY II BELOW.

1. For each parcel of real property the responding party owns or occupies or otherwise controls in the Antelope Valley Adjudication Area, please state with particularity the following information:

REQUEST NO. 1(A):

The Kern County Treasurer Tax Collector's "Assessor Tax Number" or the Los Angeles County Office of the Assessor "Assessor's Identification Number" of the parcel. IF the identifying parcel number has changed since 1999, please state both the current and previous number and the date the new identifying parcel number was assigned.

RESPONSE TO REQUEST NO. 1(A):

The Responding Party owns Kern County Assessors Parcel Numbers 359-031-07, 359-032-20, 359-032-21, 359-032-13, 359-032-08 and 359-032-14.

REQUEST NO. 1(B):

All record title owners of the parcel from 2000 to the present.

RESPONSE TO REQUEST NO. 1(B):

The Responding Party has been the record title owner of all parcels identified in response to Request No. 1(A) since before 2000. The prior corporate name of the Responding Party was H&N Development Co., Inc.

REQUEST NO. 1(C):

Whether a groundwater well existed on the parcel in any or all of calendar years 2000, 2001, 2002, 2003, 2004, 2011 or 2012.

RESPONSE TO REQUEST NO. 1(C):

A groundwater well existed on all of the parcels except APN 059-032-21 during these years.

REQUEST NO. 1(D):

Whether a groundwater well was operated on the parcel in any or all calendar years, 2000, 2001, 2002, 2003, 2004, 2011 or 2012.

RESPONSE TO REQUEST NO. 1(D):

A groundwater well was operated on APN's 359-032-20, 359-032-13 and 359-032-14 during the years 2000 through 2004. A groundwater well was operated on APN's 359-032-20 and 359-032-13 during the years 2011 through 2012.

REQUEST NO. 1(E):

The amount of groundwater produced from the parcel for calendar years 2000, 2001, 2002, 2003, 2004, 2011, and/or 2012.

RESPONSE TO REQUEST NO. 1(E):

The groundwater wells produced 690 acre feet of water for APN's 359-032-20 and 359-032-21 during each of the years 2000 through 2003. The groundwater wells produced 2,068 acre feet of water for APN's 359-031-07, 359-032-08, 359-032-13 and 359-032-14 during each of the years 2000 through 2003. The groundwater wells produced 3,263 acre feet of water for all of the parcels during year 2004. The groundwater wells produced 1,695.25 acre feet of water for all of the parcels during year 2011 and 1,904.25 acre feet of water for all of the parcels during year 2012.

REQUEST NO. 1(F):

The use(s) to which the groundwater produced from the parcel was put on said parcel in any or all of calendar years 2000, 2001, 2002, 2003, 2004, 2011, or 2012.

RESPONSE TO REQUEST NO. 1(F):

The produced groundwater was used to irrigate annual and permanent crops.

REQUEST NO. 1(G):

If groundwater produced from another parcel was used on the parcel during any or all calendar years 2000, 2001, 2002, 2003, 2004, 2011, 2012, please state the Kern County Treasurer Tax Collector's "Assessor Tax Number" or the Los Angeles County Office of the Assessor

1 “Assessor’s Identification Number” of the parcel(s) from which the subject groundwater was
2 produced and identify the owner thereof.

3 **RESPONSE TO REQUEST NO. 1(G):**

4 The Responding Party’s parcels have been farmed as one or two farming units during the
5 periods covered by this request, which resulted in water produced from one parcel being used
6 on another parcel owned by the Responding Party. No water produced from lands not owned
7 by the Responding Party was used on the Responding Party’s parcels.

8 **REQUEST NO. 1(H):**

9 The use(s) to which the parcel was put during each of calendar years 2011, and 2012.

10 **RESPONSE TO REQUEST NO. 1(H):**

11 The Responding Party’s parcels have been planted with pistachio trees during this time period.

12 **REQUEST NO. 1(I):**

13 The crop type, if any, grown on the parcel during each of the calendar years 2000, 2001, 2002,
14 2003, 2004, 2011, and 2012.

15 **RESPONSE TO REQUEST NO. 1(I):**

16 APN’s 359-032-20 and 359-032-21 were farmed with carrots and/or onions in years 2000
17 through 2003. APN’s 359-031-07, 359-032-08, 359-032-13 and 359-032-14 were farmed with
18 alfalfa in years 2000 through 2003. All of the parcels were farmed with alfalfa in year 2004.
19 All of the parcels were planted with pistachio trees in years 2011 and 2012.

20 **REQUEST NO. 1(J):**

21 If the responding party contends the parcel has groundwater rights based upon something other
22 than groundwater production or use, please state the amount of that claim for each of the
23 calendar years 2000, 2001, 2002, 2003, 2004, 2011, and 2012, and its legal and factual basis
24 therefore.

25 **RESPONSE TO REQUEST NO. 1(J):**

26 The Responding Party is not aware of such a claim at this time, but its investigation is ongoing.

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1 **REQUEST NO. 1(K):**

2 State the amount of water rights claimed as the reasonable and beneficial use for each such
3 parcel.

4 **RESPONSE TO REQUEST NO. 1(K):**

5 The groundwater wells on the Responding Party's parcels produced a total of 3,263 acre feet of
6 water in 2004 when planted entirely with alfalfa, which is the reasonable and beneficial use for
7 these lands.

8 **REQUEST NO. 1 (K[sic]):**

9 At the responding party's election any other facts that the responding party contends will assist
10 the Court in determining the amount of groundwater produced from each parcel of land owned
11 or controlled by the responding party in any or all calendar years 2000, 2001, 2002, 2003,
12 2004, 2011 and 2012.

13 **RESPONSE TO REQUEST NO. 1 (K[sic]):**

14 The Responding Party's investigation is ongoing.

15 2. For each parcel of real property the responding party owned in the
16 Antelope Valley Adjudication Area during calendar years 2000, 2001, 2002, 2003, 2004, 2011
17 and 2012, please state with particularity the following information:

18 **REQUEST NO. 2(A):**

19 Whether the responding party leased any or all of the parcel.

20 **RESPONSE TO SPECIAL REQUEST NO. 2(A):**

21 The Responding Party leased all of its parcels during the identified years.

22 **REQUEST NO. 2(B):**

23 The name of the lessee.

24 **RESPONSE TO REQUEST NO. 2(B):**

25 Each lessee is identified on the table in **Exhibit A**.

26 **REQUEST NO. 2(C):**

27 If the parcel was leased, the Kern County Treasurer Tax Collector's "Assessor Tax Number"
28 or the Los Angeles County Office of the Assessor "Assessor's Identification Number" of the

1 parcel. If the identifying parcel number has changed since 1999, please state both the current
2 and previous number and the date the new identifying parcel number was assigned.

3 **RESPONSE TO REQUEST NO. 2(C):**

4 Each lessee is identified on the table in **Exhibit A**.

5 **REQUEST NO. 2(D):**

6 How, if at all, the lease or other written agreement allocated credits for the groundwater
7 produced by the lessee.

8 **RESPONSE TO REQUEST NO. 2(D):**

9 None of the leases allocated credits for the groundwater produced by the lessee.

10 **REQUEST NO. 2(E):**

11 How much, if any, groundwater was produced by the lessee and delivered to another parcel. If
12 so, the Kern County Treasurer Tax Collector's "Assessor Tax Number" or the Los Angeles
13 County Office of the Assessor "Assessor's Identification Number" of the parcel for the year(s)
14 in which such groundwater was produced and delivered. How much, if any, groundwater was
15 produced by the lessee and delivered to another parcel. If so, the Kern County Treasurer Tax
16 Collector's "Assessor Tax Number" or the Los Angeles County Office of the Assessor
17 "Assessor's Identification Number" of the parcel for the year(s) in which such groundwater
18 was produced and delivered.

19 **RESPONSE TO REQUEST NO. 2(E):**

20 See the response to Request No. 1(G).

21 **REQUEST NO. 2(F):**

22 If known, the use(s) to which groundwater was put on the leased parcel for calendar years 2011
23 and 2012.

24 **RESPONSE TO REQUEST NO. 2(F):**

25 The groundwater produced from the Responding Party's parcels was used to irrigate pistachio
26 trees.

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3. For all parcels of land identified in response to Request No. 1 above, please state with particularity the following information:

REQUEST NO. 3(A):

All matters constituting the responding party's *prima facie* showing of the amount of groundwater produced from each parcel of land owned or controlled by the responding party in calendar years 2000, 2001, 2002, 2003, 2004, 2011 and 2012.

RESPONSE TO REQUEST NO. 3(A):

Objection on Ground 4. Without waiving that objection, the Responding Party identifies its leases for the years 2000 through 2004 and 2011 through 2012. Additionally the testimony of the Responding Party's officers and current lessee will show the crops farmed on the Responding Party's parcels during these years.

REQUEST NO. 3(B):

All materials constituting the responding party's *prima facie* showing the use(s) to which the responding party put each parcel of land controlled by the responding party in calendar years 2011 and 2012.

RESPONSE TO REQUEST NO. 3(B):

Objection on Ground 4. Without waiving that objection, the Responding Party identifies the leases between the Responding Party and its lessees that describe the crops grown on the leased premises.

REQUEST NO. 3(C):

All materials constituting the responding party's election, any additional materials that will assist the Court in determining the amount of the groundwater produced from each parcel of land by the responding party in any or all calendar years 2000, 2001, 2002, 2003, 2004, 2011 and 2012.

RESPONSE TO REQUEST NO. 3(C):

The Responding Party's investigation is ongoing.

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V. FOR ALL RESPONDING PARTIES

REQUEST NO. 1

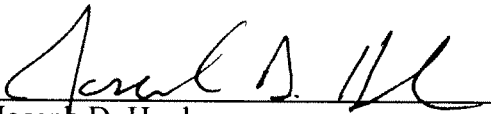
For each of the items above, please identify the person(s) most qualified to testify on its behalf to the facts alleged and materials produced.

RESPONSE TO REQUEST NO. 1

The Responding Party identifies Wendell Naraghi and Rod Stiefvater.

Dated: December 21, 2012

KLEIN, DeNATALE, GOLDNER,
COOPER, ROSENBLIEB & KIMBALL, LLP

By: 
Joseph D. Hughes
Attorneys for the Responding Party

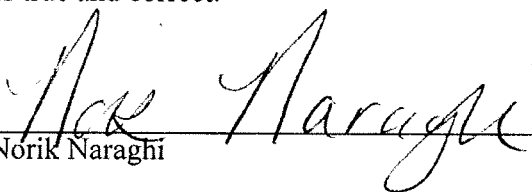
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4550 CALIFORNIA AVENUE, SECOND FLOOR
POST OFFICE BOX 11172
BAKERSFIELD, CALIFORNIA 93389-1172

VERIFICATION

I have read the foregoing RESPONSES AND OBJECTIONS TO DECEMBER 12, 2012
DISCOVERY ORDER and know its contents.

I am an officer of H&N DEVELOPMENT CO. WEST, INC., a party to this action, and
am authorized to make this verification for and on its behalf, and I make this verification for that
reason. I am informed and believe, and on that basis declare under penalty of perjury under the
laws of the State of California that the foregoing is true and correct.

Dated: December 21, 2012


Norik Naraghi

REQUEST	1A	2B	2F
	APN	Lease	
		Lessee	Use
2000	359-031-07	Pierre Biscaichipy	Alfalfa
	359-032-20	Philip Giba Farms	Carrots/Onions
	359-032-21	Philip Giba Farms	Carrots/Onions
	359-032-13	Pierre Biscaichipy	Alfalfa
	359-032-08	Pierre Biscaichipy	Alfalfa
	359-032-14	Pierre Biscaichipy	Alfalfa
2001	359-031-07	Pierre Biscaichipy	Alfalfa
	359-032-20	Philip Giba Farms	Carrots/Onions
	359-032-21	Philip Giba Farms	Carrots/Onions
	359-032-13	Pierre Biscaichipy	Alfalfa
	359-032-08	Pierre Biscaichipy	Alfalfa
	359-032-14	Pierre Biscaichipy	Alfalfa
2002	359-031-07	Pierre Biscaichipy	Alfalfa
	359-032-20	Philip Giba Farms	Carrots/Onions
	359-032-21	Philip Giba Farms	Carrots/Onions
	359-032-13	Pierre Biscaichipy	Alfalfa
	359-032-08	Pierre Biscaichipy	Alfalfa
	359-032-14	Pierre Biscaichipy	Alfalfa
2003	359-031-07	Pierre Biscaichipy	Alfalfa
	359-032-20	Philip Giba Farms	Carrots/Onions
	359-032-21	Philip Giba Farms	Carrots/Onions
	359-032-13	Pierre Biscaichipy	Alfalfa
	359-032-08	Pierre Biscaichipy	Alfalfa
	359-032-14	Pierre Biscaichipy	Alfalfa
2004	359-031-07	Pierre Biscaichipy	Alfalfa
	359-032-20	Pierre Biscaichipy	Alfalfa
	359-032-21	Pierre Biscaichipy	Alfalfa
	359-032-13	Pierre Biscaichipy	Alfalfa
	359-032-08	Pierre Biscaichipy	Alfalfa
	359-032-14	Pierre Biscaichipy	Alfalfa
2011	359-031-07	Rod Stiefvater	Pistachios
	359-032-20	Rod Stiefvater	Pistachios
	359-032-21	Rod Stiefvater	Pistachios
	359-032-13	Rod Stiefvater	Pistachios
	359-032-08	Rod Stiefvater	Pistachios
	359-032-14	Rod Stiefvater	Pistachios

REQUEST

1A

2B

2F

APN**Lease****Lessee****Use****2012**

359-031-07

Rod Stiefvater

Pistachios

359-032-20

Rod Stiefvater

Pistachios

359-032-21

Rod Stiefvater

Pistachios

359-032-13

Rod Stiefvater

Pistachios

359-032-08

Rod Stiefvater

Pistachios

359-032-14

Rod Stiefvater

Pistachios

LEASE

H & N Development Company, Inc., (herein collectively called "Lessor", hereby lease to Pierre Biscaichipy of Kern County, Calif. (herein called "lessee", the real property therein called "said premises", in the County of Kern, State of Calif., described as follows:

Assessor's Parcel No.: 359-032-020 and 021, and 013
Total of 240 Acres

on the following terms and conditions:

1. Term of Lease. The term of this lease shall be for the period of three (3) years, commencing at 12:01 a.m. on 1-1-91 and ending at 12:01 on 12-31-93.
2. Rent: Lessee shall pay to Lessor for the period of one (1) year the amount of \$8000.00. The amount of \$50.00 per acre for 160 acres from January 1, 1991 to December 31, 1991. Payments are to be made quarterly in the amount of \$2000.00 commencing January 1, 1991. Lessee shall pay to Lessor for the period of 2 years commencing January 1, 1992 to December 31, 1993 the amount of \$24,000.00 for 240 acres. Payments to be made quarterly in the amount of \$3000.00 commencing January 1, 1992. Payments shall be made to H. Naraghi, at P. O. Box 7, Escalon, Calif. 95320.

3. Payment of Utilities. The Lessee shall pay all charges for the furnishing of gas, electricity, and other public utilities to said premises including any tax or assessment imposed on said premises by AVEK, or similar entity, for the furnishing of water thereto. Lessor agrees to furnish a letter to AVEK authorizing Lessee's use of water turnout.

4. Waste or Nuisance. The Lessee shall not commit or permit the commission by others of any waste on said premises; the Lessee shall not maintain, commit, or permit the maintenance or commission of any nuisance as defined in Section 3479 of the California Civil Code on said premises; and the Lessee shall not use or permit the use of said premises for any unlawful purpose.

Lessee shall, at Lessee's expense, comply with all applicable statutes, ordinances, rules, regulations, orders and requirements in effect during the term or any part of the term hereof regulating the use by Lessee of said premises.

5. Insurance Hazards. The Lessee shall not commit or permit the commission of any acts on said premises nor use or permit the use of said premises in any manner that will increase the existing rates for or cause the cancellation of any fire, liability, or other insurance policy insuring said premises, the improvements, and the crops on said premises. The Lessee shall, at his own cost and expense, comply with any and all requirements of Lessor's insurance carriers, if

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any, for the continued maintenance at reasonable rates of reasonable fire and liability insurance on said premises and the improvements and crops thereon.

6. Maintenance. The Lessee shall, at his own cost and expense, keep and maintain said premises, all improvements on said premises, and all facilities appurtenant to said premises in good order and repair and in as safe and clean a condition as they were when received by him from the Lessor, reasonable wear and tear expected.

7. Alterations and Liens. The Lessee shall not make or permit any other person to make any alterations to said premises or to any improvement thereon or facility appurtenant thereto without the written consent of the Lessor first had and obtained. The Lessee shall keep the premises free and clear from any and all liens, claims, and demands for work performed, materials furnished, or operations conducted thereon at the instance or request of Lessee.

8. Inspection by Lessor. The Lessee shall permit the Lessor or the Lessor's agents, representatives, or employees to enter said premises at all reasonable times for the purpose of inspecting said premises to determine whether the Lessee is complying with the terms of this lease and for the purpose of doing other lawful acts that may be necessary to protect the Lessor's interest in said premises under this lease. Notwithstanding any other provision of this lease, Lessor reserves the right to use that portion of the

northernmost parcel of said property currently occupied by an airstrip for the purpose of horseback riding and for the purpose of aircraft landing and take off and all purposes incident, appurtenant or related thereto. Lessee shall not grow, harvest, or store any crops on this portion of said premises.

9. Acceptance by Lessee. The Lessee accepts said premises, as well as the improvements thereon and the facilities appurtenant thereto, in their present condition "as is". The Lessee agrees with, and represents to the Lessor, that said premises have been inspected by him and that he has been assured by means independent of the Lessor or any agent of the Lessor of the truth of all facts material to this lease and that said premises are being leased by the Lessee as a result of his inspection and investigation and not as a result of any representations or warranties made by the Lessor or any agent of the Lessor.

10. Hold-Harmless Clause. The Lessee agrees to indemnify and hold the Lessor and the property of the Lessor, including said premises, free and harmless from any and all claims, liability, loss, damage, or expense (including attorney's fees) resulting from the Lessee's occupation and use of said premises, specifically including without limitations any claim, liability, loss, or damage arising:

(a) By reason of the injury to person or property, from whatever cause, while in or on said premises

or in any way connected with said premises or with the improvements or personal property in or on said premises, including any liability for injury to the person or personal property of the Lessee, his agents, officers, or employees;

(b) By reason of any work performed on said premises or materials furnished to said premises at the instance or request of the Lessee, his agents, or employees;

(c) By reason of the Lessee's failure to perform any provision of this lease or to comply with any requirement imposed on him or on said premises by any duly authorized governmental agency or political subdivision; or

(d) Because of the Lessee's failure or inability to pay as they become due any obligations incurred by him in the agricultural or other operations to be conducted by him on said premises.

// Subleasing and Assigning. The Lessee shall not encumber, assign, or otherwise transfer this lease, any right or interest in this lease, or any right or interest in said premises or any of the improvements that may now or hereafter be constructed or installed on said premises, without the express written consent of the Lessor first had and obtained. Neither shall the Lessee sublet the said premises or any part thereof or allow any other persons, other than the Lessee's agents, family, and servants, to occupy or use said premises or any part thereof without the prior written consent of the Lessor. A consent by the Lessor to one assignment, subletting, occupation or use by

another person shall not be deemed to be a consent to any subsequent assignment, subletting, occupation or use by another person. Any encumbrance, assignment, transfer, or subletting without the prior written consent of the Lessor, whether it be voluntary or involuntary, by operation of law or otherwise, is void and shall, at the option of the Lessor, terminate this lease. The consent of the Lessor to any such assignment of the Lessee's interest in this lease or the subletting by Lessee or said premises shall not unreasonably be withheld.

12. Abandonment of Lessee. Should the Lessee breach this lease and abandon said premises prior to the natural termination of the term of this lease, the Lessor may:

(a) Continue this lease in effect by not terminating the Lessee's right to possession of said premises, in which event the Lessor shall be entitled to enforce all his rights and remedies under this lease including the right to recover the rent specified in this lease as it becomes due under this lease; or

(b) Terminate this lease and recover from the Lessee:

(1) The worth at the time of award of the unpaid rent which had been earned at the time of termination of the lease;

(2) The worth at the time of award of the amount by which the unpaid rent which would have been earned after termination of the lease until the time of award

exceeds the amount of rental loss that the Lessee proves could have been reasonably avoided;

(3) The worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of rental loss that the Lessee proves could be reasonably avoided; and

(4) Any other amount necessary to compensate the Lessor for all detriment proximately caused by the Lessee's failure to perform his obligations under this lease.

13. Default by Lessee. All covenants and agreements contained in this lease are declared to be conditions to this lease and to the term hereby demised to the Lessee. Should the Lessee default in the performance of any covenant, condition, or agreement contained in this lease, the Lessor may terminate this lease and re-enter and regain possession of said premises in the manner then provided by the laws of unlawful detainer of the State of California then in effect.

14. Insolvency of Lessee. The insolvency of the Lessee, as evidenced by the appointments of a receiver to take possession of all or substantially all of the property of the Lessee, the making of a general assignment for the benefit of creditors by the Lessee, or the adjudication of the Lessee as a bankrupt under the Federal Bankruptcy Act, shall terminate this lease and entitle the Lessor to re-enter and regain possession of the premises.

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15. Attorney's Fees. Should any litigation be commenced between the parties to this lease concerning the premises, this lease, or the rights and duties in relation thereto, the party prevailing in such litigation shall be entitled, in addition to such other relief as may be granted, to a reasonable sum for attorneys' fees in such litigation. The amount of this sum shall be determined by the court in the litigation or in a separate action brought for that purpose.

16. Notices. Except as otherwise expressly provided by law, any and all notices or other communications required or permitted by this lease or by law to be served on or given to either party by the other party shall be in writing and shall be deemed duly served and given when personally delivered to [any member of] the party to whom it is directed, or in lieu of such personal service when deposited in the United States mail, first-class postage prepaid, addressed to the Lessee at St. Rt. 1, Box 44, Rosamond, California 93560, or to the Lessor at ~~43835 N. 10th Street West, Lancaster, California 93534~~. Either party may change the address for the purpose of this paragraph by giving written notice of the change to the other party in the manner provided in this paragraph.

17. Binding on Heirs and Successors. This lease shall be binding on and shall inure to the benefit of the heirs, executors, administrators, successors, and assigns of the parties, but nothing contained in this paragraph shall be

construed as a consent by the Lessor to any assignment of this lease or any interest therein by the Lessee except as provided in paragraph 13 of this lease.

18. Time of Essence. Time is expressly declared to be of the essence of this lease.

19. Waiver. The waiver of any breach of any of the provisions of this lease by the Lessor shall not constitute a continuing waiver or a waiver of any subsequent breach by the Lessee either of the same or of any other provision of this lease.

20. Waste Fertilizer Program. Lessor agrees to execute and deliver to the appropriate governmental officials any authorization reasonably required by Lessee to enable Lessee to participate in the Los Angeles County liquid fertilization program as same applies to said premises during the term of this lease only.

21. Real Property Taxes. Lessor shall pay real property taxes imposed upon said premises; provided, however, Lessee shall be solely responsible for and shall pay for any increase in real property taxes imposed on said premises due to improvements of said premises caused by Lessee's portable sprinklers or equipment.

22. Brokers. The parties hereto acknowledge that Robert Dennis, Flying Broker, was the real estate broker that represented the Lessor herein, and Lessor represents that no other commissions are due to any brokers whatsoever,

other than the above-named broker. Lessee represents that he was not represented by a real estate broker herein.

~~22~~ 23. Holdover. Any holding over after the expiration of the lease term, or extension thereof, with the consent of Lessor, shall be construed to be a tenancy from month to month at a rental of One Thousand Dollars (\$1,000.00) per month, and shall otherwise be on the terms and conditions herein specified, so far as applicable.

Executed on 1-1, 1984, at Rossmore, California.

LESSOR

LESSEE

Pierre Biscaichipy
PIERRE BISCAICHIPY

26. LESSEE LIABILITY INSURANCE. Lessee to carry his own liability insurance on his employees for medical purposes, and for any liabilities acts on employees part that could take place on the subject property. Lessee to furnish lessor with evidence of same.

other than the above-named broker. Lessee represents that he was not represented by a real estate broker herein.

23. Holdover. Any holding over after the expiration of the lease term, or extension thereof, with the consent of Lessor, shall be construed to be a tenancy from month to month at a rental of One Thousand Dollars (\$1,000.00) per month, and shall otherwise be on the terms and conditions herein specified, so far as applicable.

Executed on 1-1, 1991, at Rotamond
California.

LESSOR

LESSEE

BY: Wendell Narash
H & N Development Co., Inc.

Pierre Biscaichipy
PIERRE BISCAICHIPY

26. LESSEE LIABILITY INSURANCE. Lessee to carry his own liability insurance on his employees for medical purposes, and for any liabilities acts on employees part that could take place on the subject property. Lessee to furnish lessor with evidence of same.

LEASE

1. Basic Provisions ("Basic Provisions")

1.1 **Parties:** This Lease ("Lease"), dated for reference purposes only, October 1, 1999 is made by and between H & N Development Co., Inc., (Lessor") and PHILIP GIBA FARMS ("Lessee"), (collectively the "Parties" or individually a "Party").

1.2 **Property:** That certain real property, including all improvements therein or to be provided by Lessee under the terms of this Lease, encompassing approximately One hundred Fifty (150) vacant acres known as NW ¼ of Sect 36 T20N10W (see exhibit B), located in the County of Kern, State of California.

1.3 **Term:** Two (2) years, ("Original Term") commencing January 1, 2000 and ending December 31, 2001 ("Expiration Date"). (See Paragraph 3 for further provisions.).

1.4 **Rent:** \$26,250.00 or \$175.00 @ acre for the period January 1, 2000 through December 31, 2000 payable December, 1999.

1.5 **Permitted Use:** The property is to be used by Lessee for growing carrots or onions; and for such purpose Lessee is authorized to cultivate, irrigate, fertilize, fumigate, and use necessary machinery and equipment and do all other acts which may be reasonable or necessary in connection with such farming operations (See Paragraph 5 for further provisions).

1.6 **Insuring Party:** Lessee is the "Insuring Party".

2. Property

2.1 **Letting:** Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Property, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. Unless otherwise provided herein, any statement of acreage set forth in this Lease, or that may have been used in calculating rental, is an approximation which Lessor and Lessee agree is reasonable and the rental based thereon is not subject to revision whether or not the actual acreage is more or less.

2.2 **Acceptance of Property:** Lessee hereby acknowledges: (a) that it has been advised by the Lessor to satisfy itself with respect to the condition of the Property; and the present and future suitability of the Property for Lessee's intended use, (b) that Lessee has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefore as the same relate to Lessee's occupancy of the Property and/or the term of this Lease, and (c) that Lessor has not made any oral or written representations or warranties with respect to the said matters.

3. Term:

3.1 The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3.

RECEIVED
DEC 26 2001

Lease

1. Basic Provisions ("Basic Provisions")

1.1 **Parties:** This Lease ("Lease"), dated for reference purposes only, December 1, 2001 is made by and between H & N Development Co., (Lessor") and PHILIP GIBA FARMS ("Lessee"), (collectively the "Parties", or individually a "Party").

1.2 **Property:** That certain real property, including all improvements therein or to be provided by lessee under the terms of this Lease, encompassing approximately One hundred Fifty (150) vacant acres known as : NW 1/4 of Sect 36 T9MR14W (see exhibit B), located in the County of Kern, State of California.

1.3 **Term:** One (1) year, ("Original Term") commencing January 1, 2002 and ending December 31, 2002 ("Expiration Date"). (See Paragraph 3 for further provisions.).

1.4 **Rent:** \$18,750.00 or \$125.00 @ acre for the period January 1, 2002 through December 31, 2002, payable end of December 2001.

1.5 **Permitted Use:** The property is to be used by Lessee for growing carrots or onions; and for such purpose Lessee is authorized to cultivate, irrigate, fertilize, fumigate, and use necessary machinery and equipment and do all other acts which may be reasonable or necessary in connection with such farming operations (See Paragraph 5 for further provisions).

1.6 **Insuring Party:** Lessee is the "Insuring Party".

2. Property

2.1 **Letting:** Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Property, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. Unless otherwise provided herein, any statement of acreage set forth in this Lease, or that may have been used in calculating rental, is an approximation which Lessor and Lessee agree is reasonable and the rental based thereon is not subject to revision whether or not the actual acreage is more or less.

2.2 **Acceptance of Property:** Lessee hereby acknowledges: (a) that it has been advised by the Lessor to satisfy itself with respect to the condition of the Property; and the present and future suitability of the Property for Lessee's intended use, (b) that Lessee has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefore as the same relate to Lessee's occupancy of the Property and/or the term of this Lease, and (c) that Lessor has not made any oral or written representations or warranties with respect to the said matters.

3. Term:

3.1 The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3.

4. **Rent:**

4.1 Lessee Shall cause payment of rent to be received by Lessor in lawful money of the United States, without offset or deduction, on or before the day on which it is due under the terms of this Lease. Payment of rental shall be made to Lessor at its address stated herein or to such other persons or at such other addresses as Lessor may designate in writing to Lessee.

5. **Use:**

5.1 Use. Lessee shall use and occupy the Property only for the purposes set forth in Paragraph 1.5, or any other use which is in furtherance thereof, or comparable thereto, and for no other purpose. Lessee shall not use or permit the use of the Property in a manner that creates waste or nuisance, or that disturbs owners and/or occupants of, or causes damage to, neighboring properties. Lessor hereby agrees to not unreasonably withhold or delay its consent to any written request by lessee for a modification of said permitted purpose for which the Property may be used or occupied, so long as the same is not significantly more burdensome to the Property, and is otherwise permissible pursuant to this Paragraph 5. If Lessor elects to withhold such consent, Lessor shall within five (5) business days give a written notification of same, which notice shall include an explanation of Lessor's reasonable objections to change in use.

5.2 **Hazardous Substances:**

(a) **Reportable Uses Require Consent.** The term "Hazardous Substance" as used in this Lease shall mean any product, substance, chemical, material or waste whose presence, nature, quantity and/or intensity of existence, use, manufacture, disposal, transportation, spill, release or effect, either by itself or in combination with other materials expected to be on the Property, is either: (i) potentially injurious to the public health, safety or welfare, the environment or the Property (ii) regulated or monitored by any governmental authority, or (iii) a basis for liability of Lessor to any governmental agency or third party under any applicable statute or common law theory. Lessee shall not engage in any activity in, on or about the Property which constitutes a Reportable Use (as hereinafter defined) of Hazardous Substances without the express prior written consent of Lessor and compliance in a timely manner (at Lessee's sole cost and expense) with all Applicable Law (as defined in Paragraph 5.3) "Reportable Use" shall mean (i) the installation or use of any above or below ground storage tank, (ii) the generations, possession, storage, use, transportation, or disposal of a Hazardous Substance that a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority. Reportable Use shall also include Lessee's being responsible for the presence in, on or about the Property of a Hazardous Substance with respect to which any Applicable Law requires that a notice be given to persons entering or occupying the Property or neighboring properties. Notwithstanding the foregoing, Lessee may, without Lessor's prior consent, but in compliance with all Applicable Law, use any ordinary and customary materials reasonable required to be used by Lessee in the normal course of Lessee's business permitted on the Property, so long as such use is not a Reportable Use and does not expose the Property or neighboring properties to any meaningful risk of contamination or damage or expose Lessor to any liability therefore.

(b) **Duty to inform Lessor.** If lessee knows, or has reasonable cause to believe, that a Hazardous Substance, or a condition involving or resulting from same, has come to be located in, on, under or about the Property, other than as previously consented to by Lessor, Lessee shall immediately give written notice of such fact to Lessor. Lessee shall also immediately give Lessor a copy of any statement, report, notice, registration, application, permit, business plan, license, claim, action or proceeding given to, or received from, any governmental authority or private party, or persons entering or occupying the Property, concerning the

presence, spill, release, discharge of, or exposure to, any Hazardous Substance or contamination in, on, or about the Property, including but not limited to all such documents as may be involved in any Reportable Uses involving the Property.

(c) **Indemnification.** Lessee shall indemnify, protect, defend and hold Lessor, its agents, employees, Lenders, and the Property, harmless from and against any and all loss of rents and/or damages, liabilities judgments, costs, claims, liens, expenses, penalties, permits and attorney's and consultant's fees arising out of or involving any Hazardous Substance or storage tank brought onto the Property by or for Lessee or under Lessee's control. Lessee's obligations under this Paragraph 5 shall include, but not limited to, the effects of any contamination or injury to person, property, or the environment created or suffered by Lessee, and the cost of investigation (including consultant's and attorney's fees and testing), removal, remediation, restoration and/or abatement thereof, or of any contamination therein involved, and shall survive the expiration or earlier termination of this Lease. No termination cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this Lease in writing at the time of such agreement.

5.3 **Lessee's Compliance with Law.** Except as otherwise provided in this Lease, Lessee shall, at Lessee's sole cost and expense, fully, diligently and in a timely manner, comply with all "Applicable Law", which term is used in this Lease to include all laws, rules, regulations, ordinances, directive, covenants, easements and restrictions of record, permits, the requirements of any applicable insurance underwriter or rating bureau relating in the any manner to the Property (including but not limited to matters pertaining to (i) environmental conditions on, in under or about the Property, including soil and ground water conditions, and (ii) the use, generation, manufacture, production, installation, maintenance, removal, transportation, storage, spill or release of any Hazardous Substance or storage tank), now in effect or which may hereafter come into effect.

6. Surrender and Restoration:

6.1 **Surrender/Restoration.** Lessee shall surrender the Property by the end of the last day of the Lease term or any earlier termination date, with all of the improvements (if any), parts and surfaces thereof clean and free of debris and in good order and condition. The obligation of Lessee shall include the repair of any damage occasioned by the installation, maintenance or removal of Lessee's equipment, as well as the removal of any storage tank installed or for Lessee, and the removal, replacement, or remediation of any soil, material or ground water contaminated by Lessee, all as then may be required by Applicable Law and/or good service practice.

7. Insurance; Indemnity:

7.1 **Liability Insurance.** Lessee shall obtain and keep in force during the term of this Lease a liability policy of insurance protecting Lessee and Lessor (as an additional insured) against claims for bodily injury, personal injury and property damage based upon, involving or arising out of the ownership, use, occupancy or maintenance of the Property and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than Two Hundred Thousand Dollars (\$200,000.00) for any one person injured, Three Million Dollars (\$3,000,000.00) for accident, and Two Hundred Thousand Dollars (\$200,000.00) for property damage with an "Additional Insured-Managers or Lessors of Property" Endorsement. The policy shall not contain any intra-insured exclusions as between this Lease as an insured contract" for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance required by this Lease or as carried by Lessee shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation thereunder. All insurance to be carried by Lessee shall be primary to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance.

7.2 **Indemnity.** Except for Lessor's negligence and/or breach of express warranties, Lessee shall indemnify, protect, defend and hold harmless the Property, Lessor and its agents, Partners and Lenders, from and against any and all claims, loss of rents and/or damages, costs, liens, judgments, penalties, permits, attorney's and consultant's fees, expenses and/or liabilities arising out of, involving, or dealing with, the occupancy of the Property by Lessee, the conduct of Lessee's business, any act, omission or neglect of Lessee, its agents, contractors, employees or invitee, and out of any default or breach in the performance in a timely manner of any obligation on Lessee's part to be performed under this Lease. The foregoing shall include, but not be limited to, the defense or pursuit of any claim or any action or proceeding involved therein, and whether or not (in the case of claims made against Lessor) litigated and/or reduced to judgment, and whether well founded or not. In case any action or proceeding be brought against Lessor by reason of any of the foregoing matters, Lessee upon notice from Lessor shall defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be so indemnified.

7.3 **Mechanics' Liens and Encumbrances.** Lessee will not permit any mechanics', laborers', or material men's liens to stand against the property for any labor or material finished to Lessee or claimed to have been furnished to Lessee or to Lessee's agents, contractors or sublease, in connection with work of any character performed on the property, or claimed to have been performed on the property, at the direction or insistence of Lessee; provided, however, that Lessee gives Lessor reasonable security that may be demanded by Lessor to insure payment of thereof and prevent a sale, foreclosure or forfeiture of the property by reason of such non-payment. Lessee further agrees to provide Lessor with immediate notice of any such claim, lien, encumbrance and/or action arising out of any claim for labor or material finished for the use or benefit of the property.

8. Notices.

8.1 Any notice required to be given by the Parties to each other shall be deemed given if and when mailed in a sealed wrapper by the United States Mail, postage prepaid, properly addressed to the receiving Party. Until changed, all notices and communications to the Lessor shall be addressed as follows:

Business:
H&N Development Co., Inc.
P.O. Box 7
Escalon, CA 95320

Home:
Wendell Naraghi
26014 E. Jones Road
Escalon, CA 95320

and notices and communications to the Lessee shall be addressed as follows:

Philip Giba Farms
Post Office Box 10019
Lancaster, CA 93584

9. Sale of Property; Right of Entry.

9.1 Lessor reserves the right to sell the leased premises at any time during the term of the lease and in the event of such sale, the buyer would purchase said property subject to the existing lease. Lessor or his agents shall have the right to enter upon the property at any reasonable time for the purpose of inspecting the condition thereof or for the purpose of showing the same to any prospective purchaser or tenant thereof.

17. **Binding Effect; Choice of Law.**

17.1 This Lease shall be binding upon the parties, their personal representative, successors and assigns and be governed by the laws of the state of California, in which the property is located. Any litigation between the Parties hereto concerning this Lease shall be initiated in the County of Los Angeles, in which the Property is located.

18. **Attorney's Fees.**

18.1 If any Party brings an action or proceeding to enforce the terms hereof or declare rights thereunder, the Prevailing Party in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorney's fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment.

19. **Authority.**

19.1 If either Party hereto is a corporation, trust, estate, or general or limited partnership, each individual executing this Lease on behalf of such entity represents and warrants that he or she is fully authorized to execute and deliver this Lease on its behalf.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PROPERTY.

The Parties hereto have executed this Lease at the place and on the dates specified below to their respective signatures.

Executed at Escondido -

On Dec 21, 2001
By LESSOR:

Wendell Naraghi
Wendell Naraghi

Executed at LAncaster

On 12-19-01
By LESSEE:

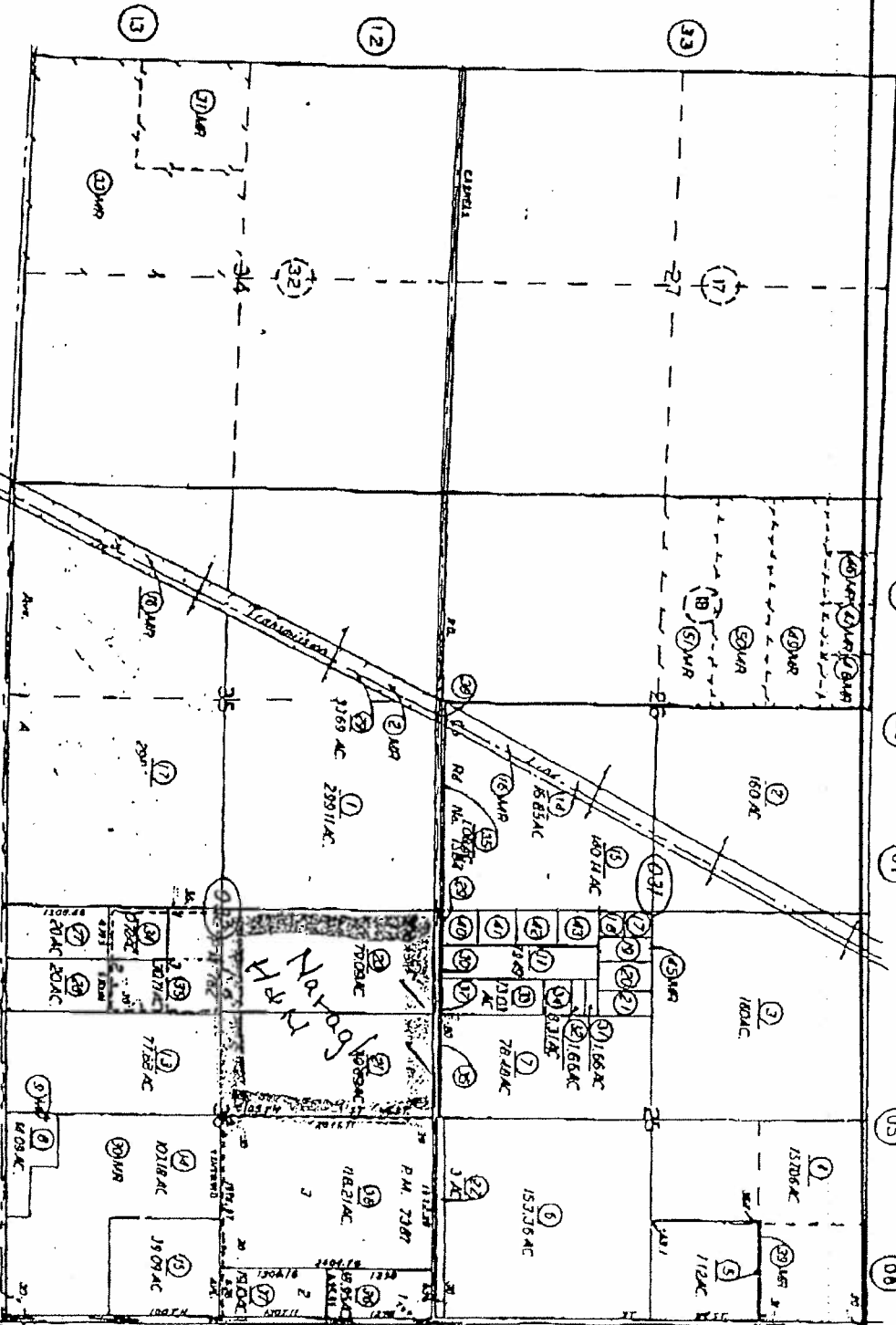
Philip Giba
Philip Giba

359-03
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359-03

ASSESSORS MAP NO. 359-03
COUNTY OF KERN

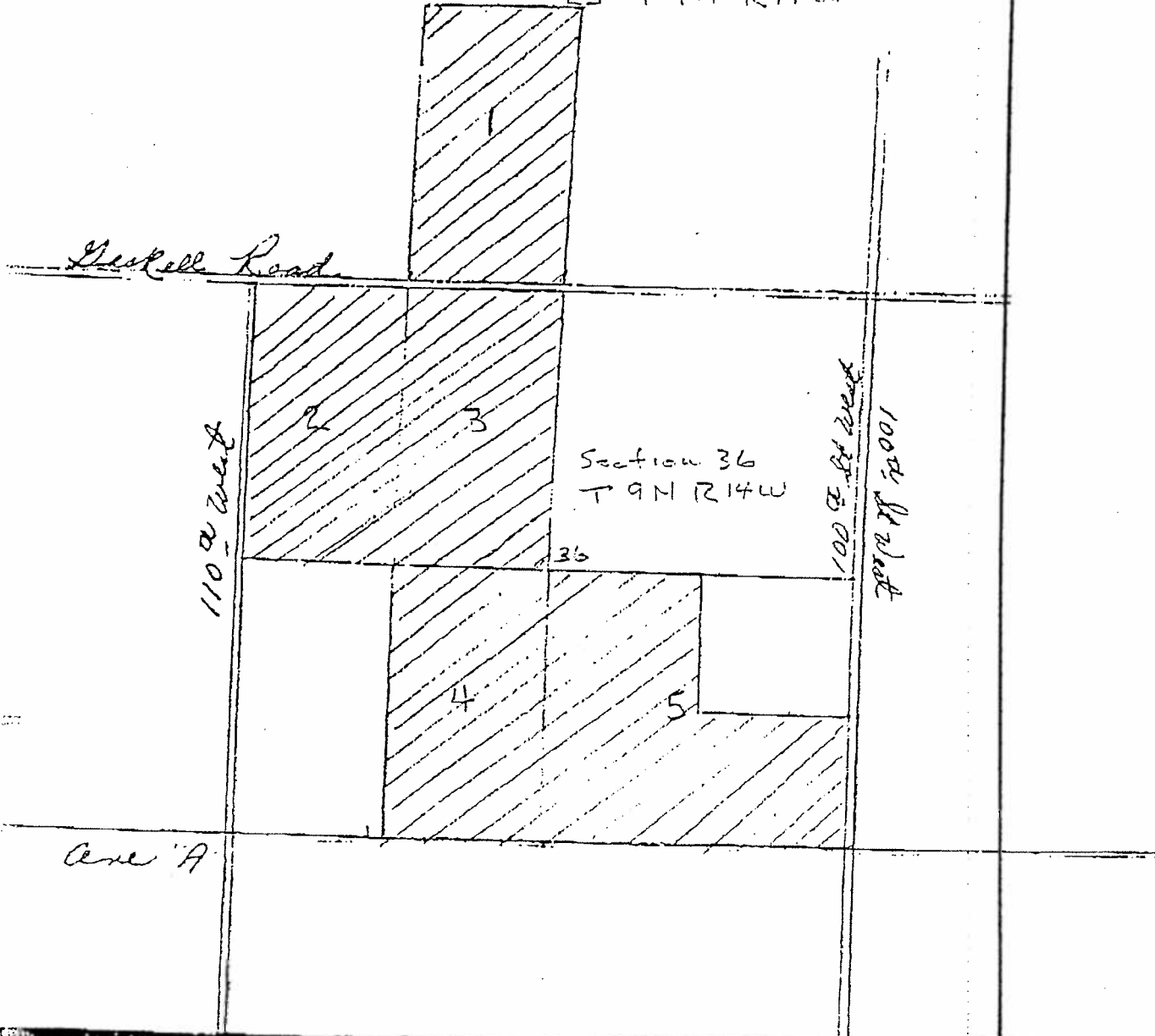
here: This map is for management purposes only. It is not to be construed as purporting legal ownership or violation of land for purposes of zoning or subdivision law.



" EXHIBIT B "

Map showing lands upon which irrigation water will be used.

Section 25 T9N R14W



G-116

G110

150 ACRES

Lease

1. Basic Provisions ("Basic Provisions")

1.1 **Parties:** This Lease ("Lease"), dated for reference purposes only, November 1, 2002 is made by and between **H & N Development Co., (Lessor)** and **PHILIP GIBA FARMS (Lessee)**, (collectively the "Parties", or individually a "Party").

1.2 **Property:** That certain real property, including all improvements therein or to be provided by lessee under the terms of this Lease, encompassing approximately One hundred Fifty (150) ~~vacant~~ acres known as : NW ¼ of Sect 36 T9MR14W (see exhibit B), located in the County of Kern, State of California.

1.3 **Term:** One (1) year, ("**Original Term**") commencing January 1, 2003 and ending December 31, 2003 ("**Expiration Date**"). (See Paragraph 3 for further provisions.).

1.4 **Rent:** \$18,750.00 or \$125.00 @ acre for the period January 1, 2003 through December 31, 2003, payable end of December 2002.

1.5 **Permitted Use:** The property is to be used by Lessee for growing crops; and for such purpose Lessee is authorized to cultivate, irrigate, fertilize, fumigate, and use necessary machinery and equipment and do all other acts which may be reasonable or necessary in connection with such farming operations (See Paragraph 5 for further provisions).

1.6 **Insuring Party:** Lessee is the "Insuring Party".

2. Property

2.1 **Letting:** Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Property, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. Unless otherwise provided herein, any statement of acreage set forth in this Lease, or that may have been used in calculating rental, is an approximation which Lessor and Lessee agree is reasonable and the rental based thereon is not subject to revision whether or not the actual acreage is more or less.

2.2 **Acceptance of Property:** Lessee hereby acknowledges: (a) that it has been advised by the Lessor to satisfy itself with respect to the condition of the Property; and the present and future suitability of the Property for Lessee's intended use, (b) that Lessee has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefore as the same relate to Lessee's occupancy of the Property and/or the term of this Lease, and (c) that Lessor has not made any oral or written representations or warranties with respect to the said matters.

3. Term:

3.1 The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3.

4. **Rent:**

4.1 Lessee Shall cause payment of rent to be received by Lessor in lawful money of the United States, without offset or deduction, on or before the day on which it is due under the terms of this Lease. Payment of rental shall be made to Lessor at its address stated herein or to such other persons or at such other addresses as Lessor may designate in writing to Lessee.

5. **Use:**

5.1 Use. Lessee shall use and occupy the Property only for the purposes set forth in Paragraph 1.5, or any other use which is in furtherance thereof, or comparable thereto, and for no other purpose. Lessee shall not use or permit the use of the Property in a manner that creates waste or nuisance, or that disturbs owners and/or occupants of, or causes damage to, neighboring properties. Lessor hereby agrees to not unreasonably withhold or delay its consent to any written request by lessee for a modification of said permitted purpose for which the Property may be used or occupied, so long as the same is not significantly more burdensome to the Property, and is otherwise permissible pursuant to this Paragraph 5. If Lessor elects to withhold such consent, Lessor shall within five (5) business days give a written notification of same, which notice shall include an explanation of Lessor's reasonable objections to change in use.

5.2 **Hazardous Substances:**

(a) **Reportable Uses Require Consent.** The term "Hazardous Substance" as used in this Lease shall mean any product, substance, chemical, material or waste whose presence, nature, quantity and/or intensity of existence, use, manufacture, disposal, transportation, spill, release or effect, either by itself or in combination with other materials expected to be on the Property, is either: (i) potentially injurious to the public health, safety or welfare, the environment or the Property (ii) regulated or monitored by any governmental authority, or (iii) a basis for liability of Lessor to any governmental agency or third party under any applicable statute or common law theory. Lessee shall not engage in any activity in, on or about the Property which constitutes a Reportable Use (as hereinafter defined) of Hazardous Substances without the express prior written consent of Lessor and compliance in a timely manner (at Lessee's sole cost and expense) with all Applicable Law (as defined in Paragraph 5.3) "**Reportable Use**" shall mean (i) the installation or use of any above or below ground storage tank, (ii) the generations, possession, storage, use, transportation, or disposal of a Hazardous Substance that a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority. Reportable Use shall also include Lessee's being responsible for the presence in, on or about the Property of a Hazardous Substance with respect to which any Applicable Law requires that a notice be given to persons entering or occupying the Property or neighboring properties. Notwithstanding the foregoing, Lessee may, without Lessor's prior consent, but in compliance with all Applicable Law, use any ordinary and customary materials reasonable required to be used by Lessee in the normal course of Lessee's business permitted on the Property, so long as such use is not a Reportable Use and does not expose the Property or neighboring properties to any meaningful risk of contamination or damage or expose Lessor to any liability therefore.

(b) **Duty to inform Lessor.** If lessee knows, or has reasonable cause to believe, that a Hazardous Substance, or a condition involving or resulting from same, has come to be located in, on, under or about the Property, other than as previously consented to by Lessor, Lessee shall immediately give written notice of such fact to Lessor. Lessee shall also immediately give Lessor a copy of any statement, report, notice, registration, application, permit, business plan, license, claim, action or proceeding given to, or received from, any governmental authority or private party, or persons entering or occupying the Property, concerning the

presence, spill, release, discharge of, or exposure to, any Hazardous Substance or contamination in, on, or about the Property, including but not limited to all such documents as may be involved in any Reportable Uses involving the Property.

(c) **Indemnification.** Lessee shall indemnify, protect, defend and hold Lessor, its agents, employees, Lenders, and the Property, harmless from and against any and all loss of rents and/or damages, liabilities judgments, costs, claims, liens, expenses, penalties, permits and attorney's and consultant's fees arising out of or involving any Hazardous Substance or storage tank brought onto the Property by or for Lessee or under Lessee's control. Lessee's obligations under this Paragraph 5 shall include, but not limited to, the effects of any contamination or injury to person, property, or the environment created or suffered by Lessee, and the cost of investigation (including consultant's and attorney's fees and testing), removal, remediation, restoration and/or abatement thereof, or of any contamination therein involved, and shall survive the expiration or earlier termination of this Lease. No termination cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this Lease in writing at the time of such agreement.

5.3 **Lessee's Compliance with Law.** Except as otherwise provided in this Lease, Lessee shall, at Lessee's sole cost and expense, fully, diligently and in a timely manner, comply with all "**Applicable Law**", which term is used in this Lease to include all laws, rules, regulations, ordinances, directive, covenants, easements and restrictions of record, permits, the requirements of any applicable insurance underwriter or rating bureau relating in the any manner to the Property (including but not limited to matters pertaining to (i) environmental conditions on, in under or about the Property, including soil and ground water conditions, and (ii) the use, generation, manufacture, production, installation, maintenance, removal, transportation, storage, spill or release of any Hazardous Substance or storage tank), now in effect or which may hereafter come into effect.

6. **Surrender and Restoration:**

6.1 **Surrender/Restoration.** Lessee shall surrender the Property by the end of the last day of the Lease term or any earlier termination date, with all of the improvements (if any), parts and surfaces thereof clean and free of debris and in good order and condition. The obligation of Lessee shall include the repair of any damage occasioned by the installation, maintenance or removal of Lessee's equipment, as well as the removal of any storage tank installed or for Lessee, and the removal, replacement, or remediation of any soil, material or ground water contaminated by Lessee, all as then may be required by Applicable Law and/or good service practice.

7. **Insurance; Indemnity:**

7.1 **Liability Insurance.** Lessee shall obtain and keep in force during the term of this Lease a liability policy of insurance protecting Lessee and Lessor (as an additional insured) against claims for bodily injury, personal injury and property damage based upon, involving or arising out of the ownership, use, occupancy or maintenance of the Property and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than Two Hundred Thousand Dollars (\$200,000.00) for any one person injured, Three Million Dollars (\$3,000,000.00) for accident, and Two Hundred Thousand Dollars (\$200,000.00) for property damage with an "Additional Insured-Managers or Lessors of Property" Endorsement. The policy shall not contain any intra-insured exclusions as between this Lease as an "insured contract" for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance required by this Lease or as carried by Lessee shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation thereunder. All insurance to be carried by Lessee shall be primary to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance.

7.2 **Indemnity.** Except for Lessor's negligence and/or breach of express warranties, Lessee shall indemnify, protect, defend and hold harmless the Property, Lessor and its agents, Partners and Lenders, from and against any and all claims, loss of rents and/or damages, costs, liens, judgments, penalties, permits, attorney's and consultant's fees, expenses and/or liabilities arising out of, involving, or dealing with, the occupancy of the Property by Lessee, the conduct of Lessee's business, any act, omission or neglect of Lessee, its agents, contractors, employees or invitee, and out of any default or breach in the performance in a timely manner of any obligation on Lessee's part to be performed under this Lease. The foregoing shall include, but not be limited to, the defense or pursuit of any claim or any action or proceeding involved therein, and whether or not (in the case of claims made against Lessor) litigated and/or reduced to judgment, and whether well founded or not. In case any action or proceeding be brought against Lessor by reason of any of the foregoing matters, Lessee upon notice from Lessor shall defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be so indemnified.

7.3 **Mechanics' Liens and Encumbrances.** Lessee will not permit any mechanics', laborers', or material men's liens to stand against the property for any labor or material finished to Lessee or claimed to have been furnished to Lessee or to Lessee's agents, contractors or sublease, in connection with work of any character performed on the property, or claimed to have been performed on the property, at the direction or insistence of Lessee; provided, however, that Lessee gives Lessor reasonable security that may be demanded by Lessor to insure payment of thereof and prevent a sale, foreclosure or forfeiture of the property by reason of such non-payment. Lessee further agrees to provide Lessor with immediate notice of any such claim, lien, encumbrance and/or action arising out of any claim for labor or material finished for the use or benefit of the property.

8. Notices.

8.1 Any notice required to be given by the Parties to each other shall be deemed given if and when mailed in a sealed wrapper by the United States Mail, postage prepaid, properly addressed to the receiving Party. Until changed, all notices and communications to the Lessor shall be addressed as follows:

Business:
H&N Development Co., Inc.
P.O. Box 7
Escalon, CA 95320

Home:
Wendell Naraghi
26014 E. Jones Road
Escalon, CA 95320

and notices and communications to the Lessee shall be addressed as follows:

Philip Giba Farms
Post Office Box 10019
Lancaster, CA 93584

9. Sale of Property; Right of Entry.

9.1 Lessor reserves the right to sell the leased premises at any time during the term of the lease and in the event of such sale, the buyer would purchase said property subject to the existing lease. Lessor or his agents shall have the right to enter upon the property at any reasonable time for the purpose of inspecting the condition thereof or for the purpose of showing the same to any prospective purchaser or tenant thereof.

10. Utilities.

10.1 Lessee agrees to pay for all utilities used in connection with the Property. Lessee agrees to have the names on all meters for any utilities kept in the name of the Lessee.

11. Assignment and Subletting.

11.1 Lessee may sublease, assign, transfer or hypothecate this Lease, providing that any transfer of the Lease by Lessee or any assigns of Lessee by operation of law or voluntary assignment with or without the consent of Lessor shall not diminish or affect the direct and primary liability of Lessee under this Lease.

12. Default of Lessee.

12.1 If any payments shall be due and unpaid or if any default shall be made in any of the covenants or agreements on the part of Lessee contained in this Lease, or in the event Lessee is adjudicated as bankrupt or insolvent or has a receiver appointed to receive the assets of Lessee or has a Trustee appointed for Lessee after a petition has been filed under the Bankruptcy Act of the United States or if Lessee shall make an assignment for the benefit of creditors or if Lessor shall have the right at its election, then or at any time thereafter, to re-enter and take possession of the property and terminate this lease, in which event Lessee hereby covenants to peaceably and quietly yield up to Lessor the property. Lessor may further have the right, at its option, without terminating this Lease, to relet the property for the remainder of the term to such tenants and at such rentals as Lessor may agree upon. No re-entry or taking of possession of the property by Lessor shall be construed as an election on Lessor's part to terminate the Lease unless a written notice of such intention is given to Lessee or unless the termination of decreed by a court of competent jurisdiction.

13. Severability.

13.1 The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

14. Time of essence.

14.1 Time is of the essence with respect to the performances of all obligations to be performed or observed by the Parties under the Lease.

15. No Right to Holdover.

15.1 Lessee has no right to retain possession of the Property or any part thereof beyond the expiration or earlier termination of this lease.

16. Covenants and Conditions.

16.1 All provisions of this lease to be observed or performed by Lessee are both covenants and conditions.

17. **Binding Effect; Choice of Law.**

17.1 This Lease shall be binding upon the parties, their personal representative, successors and assigns and be governed by the laws of the state of California, in which the property is located. Any litigation between the Parties hereto concerning this Lease shall be initiated in the County of Los Angeles, in which the Property is located.

18. **Attorney's Fees.**

18.1 If any Party brings an action or proceeding to enforce the terms hereof or declare rights thereunder, the Prevailing Party in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorney's fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment.

19. **Authority.**

19.1 If either Party hereto is a corporation, trust, estate, or general or limited partnership, each individual executing this Lease on behalf of such entity represents and warrants that he or she is fully authorized to execute and deliver this Lease on its behalf.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PROPERTY.

The Parties hereto have executed this Lease at the place and on the dates specified below to their respective signatures.

Executed at Bochen, Cal. Executed at _____

On 28 Jan. 2003 On _____
By LESSOR: By LESSEE:

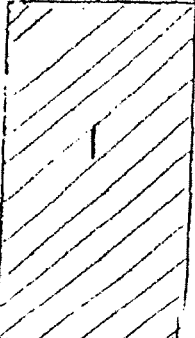
Wendell Naraghi Philip Giba
Wendell Naraghi Philip Giba

Philip Giba Farms

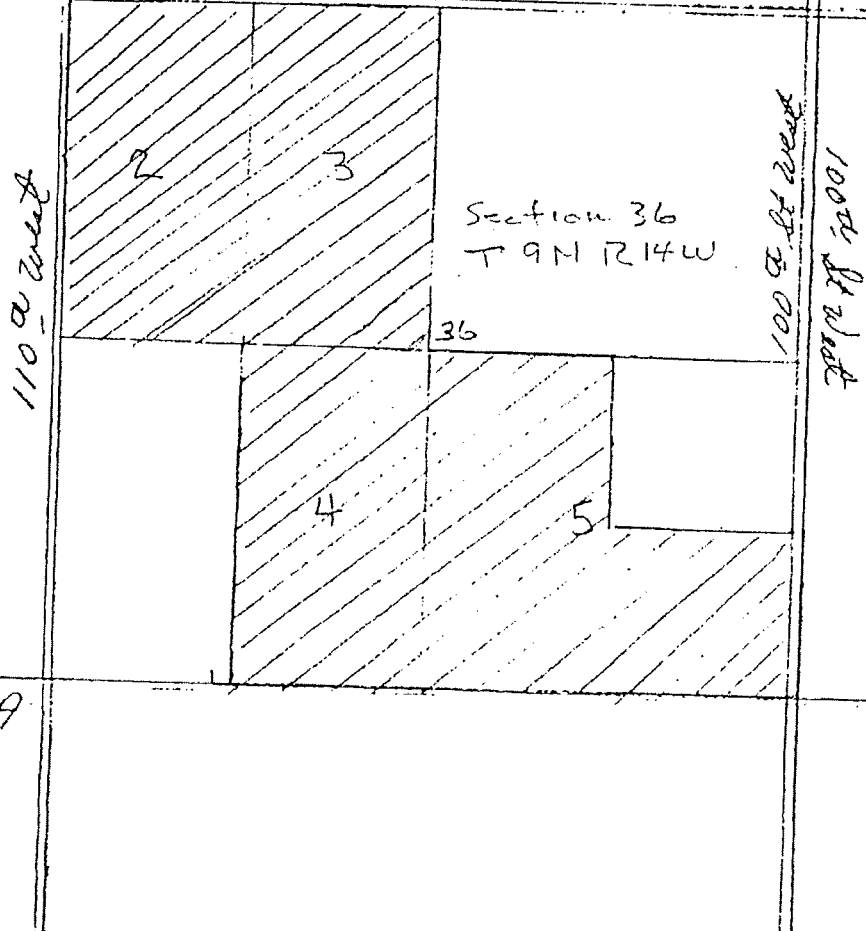
" EXHIBIT B "

Map showing lands upon which irrigation water will be used.

Section 25 T9N R14W



Steele Road



Section 36
T9N R14W

36

1100 West

1000 West

Line A

[illegible]

CROP SHARE LEASE WITH RIGHTS OF FIRST REFUSAL

THIS AGRICULTURAL LEASE WITH RIGHTS OF FIRST REFUSAL (this "Lease") is effective as of _____, 2011, by and between **H&N DEVELOPMENT CO. WEST, INC.**, a California corporation ("Landlord"), and **ROD T. STIEFVATER**, an individual doing business as **RTS AGRIBUSINESS** ("Tenant"), in Bakersfield, California as described below. Landlord and Tenant are referred to singularly as a "party" and collectively as the "parties" on a generic basis.

Recitals

This Lease is made with reference to the following facts and circumstances:

A. Landlord is the owner in fee simple of agricultural real property consisting of approximately four hundred thirty-one and eighty-one hundredths assessed acres (431.81 assessed acres.), located at in Kern County, California, and identified as Kern County Assessor Parcel Nos. as shown below, and as legally described in Exhibit "A" attached hereto and incorporated herein by reference as if fully set forth at length (the "Property"); and,

Willow Springs Pistachio Farm:	Acres
APN 359-031-07	78.48
APN 359-032-08	14.09
APN 359-032-13	77.88
APN 359-032-14	103.18
APN 359-032-20	79.09
APN 359-032-21	<u>79.09</u>
Total Acres	431.81

B. Landlord desires to lease all of the Property to Tenant, and Tenant desires to lease the Property (the "Premises") from Landlord upon the conditions, provisions and terms set forth in this Lease. A map depicting the approximate boundaries of the Premises is attached hereto as Exhibit "B" and incorporated herein by reference as if fully set forth at length;

NOW, THEREFORE, in consideration of the mutual promises contained in this Lease and of other valuable consideration, it is expressly agreed and contracted as follows:

Lease

1. Premises.

1.1. Generally; Subject to Existing Rights. Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the Premises. The rights of Tenant to the Premises are subject to conditions, restrictions and reservations of record, rights-of-way and easements for roadways, pole lines, pipelines, oil and gas operations and the like whether recorded or unrecorded. The rights of Tenant to the Premises do not include, and specifically excludes, any right, title, estate or interest in or to the land itself or the oil, gas and mineral content thereof. Landlord will leave on the Premises any supplies and equipment owned by Landlord currently on the Premises for Tenant's use. Landlord does not warrant the usefulness or safety of such supplies and equipment, and Tenant uses these items at its own risk.

1.2. Quiet Enjoyment. Tenant, on paying the rent and performing all of the other conditions, covenants, provisions and terms of this Lease, shall and may peaceably and quietly hold and enjoy the Premises for the term of this Lease.

2. Term.

2.1. Term. Unless sooner terminated as provided herein, the term of this Lease shall be twenty-five (25) years ("Term") and shall commence on _____, 2011 ("Commencement Date").

2.2. Options to Renew. As long as Tenant is not at the time in default under this Lease, Tenant may renew the term of this Lease for up to five (5) successive one-year (1-yr.) terms (each an "Extended Term") upon expiration of the Term or an Extended Term, as applicable, and upon any and all of the conditions, covenants, provisions and terms of this Lease, except Rent shall increase during each Extended Term as provided below. The option to renew shall be automatically deemed to have been exercised by Tenant unless Tenant has given Landlord written notice no less than six months (6) prior to the expiration of the initial Term, or any then-current Extended Term, of this Lease that Tenant has elected not to renew the Lease. For the sole and exclusive purpose of this Lease, the reference to the Term of this Lease means either the initial or the Extended Term, as applicable.

2.3. Delivery of the Premises. Control, custody and possession of the Premises shall be delivered by Landlord to Tenant on the Commencement Date.

2.3.1. Assumption of Costs by Tenant. Tenant shall not be responsible for any financial obligations related to the pistachio orchard that were incurred prior to the Commencement Date, while Landlord shall not be responsible for any financial obligations related to the pistachio orchard that are incurred after the Commencement Date.

3. Rent.

3.1. Crop Share Rent. Beginning with the 2017 harvest and during the Lease Term, and subject to the increases in Rent described below for any Extended Term, Tenant shall return to Landlord twenty-five percent (25%) of the annual crop free and clear of any liens of Tenant and any third parties. Within thirty (30) days of harvest, Tenant shall deliver twenty-five percent (25%) of the pistachio production to the marketer/packer of Landlord's choice for credit to Landlord's account. Landlord, in its sole discretion, will make all decisions related to the marketing of its crop share and the payment of crop sales proceeds due Landlord. Landlord or its designee may inspect the Premises or review the books and records of Tenant to verify the amount of nuts produced, and Tenant shall cooperate by promptly making the Premises available and Tenant's books and records available for inspection and copying upon the request of Landlord or its designee. The percentage of the annual crop returned to Landlord as Rent shall increase during any Extended Terms, as follows:

- first Extended Term – twenty-five and one-half percent (25.5%)
- second Extended Term – twenty-six percent (26%)
- third Extended Term – twenty-six and one-half percent (26.5%)
- fourth Extended Term – twenty-seven percent (27%)
- fifth Extended Term – twenty-seven and one-half percent (27.5%)

3.2. Utilities. Landlord makes no representation relating to the availability of utilities to the Premises. Tenant shall pay for all sewer, water, electricity, gas, telephone, computer service, refuse removal, and all other services supplied to the Premises. Tenant shall comply with all rules and regulations of the local water district.

4. Farming Expense.

4.1. Development Costs. Tenant will pay for all costs incurred through the pistachio trees' pre-productive period on the Premises. Landlord shall not be liable for any part thereof.

4.2. Annual Production Costs. The Tenant will pay for farming the pistachios and maintaining the Premises and is responsible for all costs incurred to produce the pistachio crop and maintain the Premises. Landlord shall not be liable for any part thereof.

4.3. Payment of Expenses: Tenant has the sole right to choose the services, materials, and farming practices that will be conducted on the Premises, subject to Section 5.1 immediately below, and will pay for such expenses in a timely manner. Tenant shall keep the Premises free of any liens arising out of such services or materials in compliance with Section 19.3 below.

5. Use; Condition of Premises.

5.1. Permitted Use. The Premises shall be used solely for planting, cultivating, growing and harvesting pistachios, and no other use of the Premises shall be made without Landlord's written consent. Tenant may, at Tenant's sole cost, erect dirt berms or other improvements to protect the pistachios from wind damage. Tenant shall, at Tenant's sole cost and expense, develop and maintain the Premises in a good workmanlike manner and in conformity with customary farming practices in Kern County, California, and in compliance with all local, state and federal laws, ordinances, regulations and codes, including those practices and laws, ordinances, regulations and codes concerning tree management and replacement, weeds, mosquito and pest abatement, dust control, drainage, flooding, fire prevention, attractive nuisances, debris removal, wetlands and flood plains.

5.2. Prohibited Use. Subject to Sections 5.3 and 5.4, Tenant shall not do or permit anything to be done on the Premises or bring on or keep anything at the Premises which shall in any way affect fire or other insurance for the Premises or any of its contents, or which shall in any way conflict with any law, ordinance, rule or regulation affecting the occupancy and use of the Premises which is or may hereafter be enacted or promulgated by any public authority. Tenant shall not hunt, nor allow any hunting, on the Premises.

5.3. Dangerous Materials.

5.3.1. Generally. Except as otherwise provided in Section 5.3.2, Tenant shall not keep or generate any dangerous, explosive, flammable, toxic or any item considered hazardous by any responsible insurance company, or public or quasi-public entity, including, but not limited to, Hazardous Material as defined in Section 5.3.3, upon the Premises without the prior written consent of Landlord, exercisable in its sole and absolute discretion. As part of its duties, obligations and responsibilities under this Section, Tenant also shall comply with any and all federal, State of California and local laws, ordinances, regulations and rules whatsoever, now in force or which may hereafter be enacted or promulgated, governing and regulating dangerous, explosive, flammable, toxic or any item considered hazardous by any responsible insurance company, or public or quasi-public entity, or air, noise or water standards (the "Environmental Laws").

5.3.2. Agricultural Chemicals. Tenant agrees not to use pesticides that shall have a residual effect beyond the Term of this Lease without the prior written consent of Landlord. No poison, herbicide, pesticide, fertilizer or other chemical or substance (the "Chemicals"), other than those approved by the UNITED STATES DEPARTMENT OF AGRICULTURE and by the CALIFORNIA DEPARTMENT OF AGRICULTURE, or other affected public entities, shall be applied to the Premises or the crops growing thereon. All Chemicals shall be applied in strict compliance with, and

only at the time or times set forth on, the label or manufacturer's instructions, provided such application conforms to all Environmental Laws. Special care shall be taken not to cause any Chemicals to enter onto adjacent properties or into natural or man-made waterways flowing under or about the Premises. No experimental Chemicals shall be applied to the Premises or the crops growing thereon without the prior written consent of Landlord. Tenant shall make and keep pertinent records of all Chemicals used or applied on the Premises, including identity, dates of, and rates of application during the Term of this Lease and shall make them available to Landlord for inspection and copying.

5.3.3. Hazardous Materials. The term "Hazardous Material" means any hazardous or toxic substance, material, or waste that is or becomes regulated by any Federal, California and local public or quasi-public entity. Landlord represents and warrants that to the best of its knowledge the Premises is, as of the day before Tenant came into possession, in compliance with all Environmental Laws then in existence regulating the handling, transportation, storage, treatment, use and disposition of Hazardous Material. Tenant shall not cause or permit any Hazardous Material to be brought upon or used in or about the Premises without the prior written consent of Landlord. Notwithstanding the foregoing, Tenant shall not be required to obtain any prior written consent from Landlord for the use of Chemicals actually consumed or utilized in the farming of the Premises in compliance with all then existing applicable Environmental Laws and Sections 5.1 and 5.3.2.

5.4. Condition of Premises; Waste and Nuisance.

5.4.1. Condition of Premises. Tenant hereby accepts the Premises in its "AS IS," "WITH ALL FAULTS," and "WHERE IS" basis and also in its existing condition as of the commencement of this Lease. Tenant has thoroughly investigated the Premises and is relying on its own investigations and tests. Tenant may dig holes to obtain soil samples and run soil tests, provided Tenant has in place the insurance required under this Lease, and repairs the holes upon completion of the tests. Landlord makes no express or implied representations or warranties that the Premises are suitable for growing pistachios or that Tenant can successfully operate a farming business on the Premises.

5.4.2. Waste and Nuisance. Tenant shall not commit, or permit others to commit, waste on the Premises. Tenant also shall not, or permit others to, commit, maintain or permit the commission of any nuisance (as defined pursuant to Civil Code Section 3479 or other state laws) on the Premises.

6. Insurance; Taxes.

6.1. Liability Insurance. Tenant shall obtain and maintain during the term of this Lease public liability insurance covering the Premises and Tenant's activities thereon against claims for personal injury and death in the amount of not less than Five Million Dollars and No Cents (\$5,000,000.00) for injury or death of any one (1) person, Five Million Dollars and No Cents (\$5,000,000.00) for injury or death of all persons in any one (1) accident and One Hundred Thousand Dollars and No Cents (\$100,000.00) for property damage (including automobile). Tenant shall furnish to Landlord by the Commencement Date a certificate evidencing the fact that said insurance has been obtained and is in full force and effect, that Landlord has been named as an additional insured, that the premiums thereon have been paid, and that such insurance cannot be canceled or materially altered without thirty (30) days prior notice to Landlord. Tenant shall furnish such certificate annually to Landlord. Tenant shall increase the above limits of coverage, not more than once every five (5) years, to higher limits deemed commercially reasonable by Landlord's insurance broker, upon thirty (30) days' notice to Tenant.

6.2. Workers' Compensation. Tenant, at all times during the Term of this Lease, or any Extension Term, shall also carry Workers' Compensation insurance for Tenant's employees as required

by the laws of the State of California. Tenant shall obtain and keep on file certificates of Workers' Compensation Insurance from those providing contract services on the Premises.

6.3. Taxes. Beginning on the Commencement Date and continuing throughout the Term of this Lease, Tenant shall pay and keep current, without contribution from Landlord, any and all property taxes or assessments, including assessments imposed by any governmental or quasi-governmental agency on the real estate, water or other rights and uses associated with the Premises, and also pay and keep current any taxes or assessments imposed upon Tenant's income, improvements, business or leasehold estate.

7. Indemnification.

7.1. By Tenant. Tenant shall defend, indemnify Landlord and its officers, directors, shareholders, members, trustees, beneficiaries, employees, agents and contractors (collectively "Landlord Parties") against, and hold Landlord Parties harmless, from any and all costs, claims, losses, recoveries, deficiencies, injuries, liabilities, legal or administrative proceedings, and penalties, including attorney's fees and disbursements, arising from or relating to the following: (i) Tenant's use of the Premises; (ii) the conduct of Tenant's farming operations or anything else done or permitted by Tenant to be done in or about the Premises; (iii) any breach or default on the performance of Tenant's obligations under this Lease; and (iv) any other claim for injury, damage or liability, which are caused, by reason of any act, omission, fault, or negligence, whether active or passive, of Tenant Parties (defined below) and not caused by the negligence or willful misconduct of Landlord Parties. Landlord may participate in the defense of any claim or suit without relieving Tenant of any obligations hereunder, including attorney's fees and costs.

7.2. By Landlord. Landlord shall defend, indemnify Tenant and his employees, agents and contractors (collectively "Tenant Parties") against, and hold Tenant Parties harmless, from any and all costs, claims, losses, recoveries, deficiencies, injuries, liabilities, legal or administrative proceedings, and penalties, including attorney's fees and disbursements, arising from or relating to the following: (i) any breach or default on the performance of Landlord's obligations under this Lease; and (ii) any other claim for injury, damage or liability, which are caused, by reason of any act, omission, fault, or negligence, whether active or passive, of Landlord Parties and not caused by the negligence or willful misconduct of Tenant Parties. Tenant may participate in the defense of any claim or suit without relieving Landlord of any obligations hereunder, including attorney's fees and costs.

8. Compliance With Legal Requirements. Tenant shall not do anything upon the Premises, or permit others to do anything upon the Premises, which either conflicts with or is in violation of any laws, statutes, ordinances, rules, regulations, orders, recorded covenants and restrictions and requirements of all municipal, state and federal authorities now or later in force.

9. Agricultural and Energy Programs.

9.1. Agricultural Programs. Tenant may enter into any governmental or privately arranged soil conservation, cropping, or crop control agreements or well or irrigation equipment programs or rebates without Landlord's prior written consent only so long as any such agreement or program does not place an encumbrance, lien, or charge on or against the Premises or Landlord or otherwise affect the use or title to the Premises beyond the Term of this Lease. Tenant shall provide notice to Landlord of Tenant's entry into any such programs or rebates.

9.2. Energy Programs. Landlord may enter into any governmental or privately arranged energy agreements or rebates, and may install solar panels, wind turbines, oil, gas and mineral extraction

improvements and other energy-producing improvements on or about the Premises, and shall attempt to ensure that such improvements do not harm Tenant's crops or materially interfere with Tenant's farming operations. If however, Landlord removes any trees during the first five years of this lease to accommodate such improvements, Landlord shall pay Tenant two times (2x) Tenant's reasonable, verifiable costs, prorated for the number of acres of trees removed, incurred in the farming of the Premises from the Commencement Date (or sooner if Tenant begins work on the Premises before that date), through the date of removal of such trees. Landlord shall work with Tenant to minimize interruption to Tenant's farming business. The maximum amount Landlord shall owe under the formula above through the fifth (5th) anniversary of the Commencement Date is \$10,000 per acre. After the fifth (5th) anniversary through the tenth (10th) anniversary of the Commencement Date the maximum amount payable for the acre(s) of trees removed is \$12,000 per acre, and after the tenth (10th) anniversary of the Commencement Date through the remaining Term of the Lease, including any Extended Terms, the maximum amount payable for the acre(s) of trees removed is \$15,000 per acre. The maximum payment figures immediately above shall be prorated for any partial acres of trees that are removed by Landlord.

10. Water.

10.1. Supply. The parties acknowledge and understand that the Premises is supplied with water pumped from agricultural wells located on the Premises and from Antelope Valley East Kern Water Agency.

10.2. Water Usage and Payment. The parties agree that Tenant, at its sole expense, shall have the exclusive right to use water from any and all water wells located on the Premises and water district's deliveries to the extent necessary to irrigate the Premises' pistachios and any incidental purposes. Tenant agrees not to use for any other property or purpose any water allocated to or designated for the Premises, except for the farming operations on the Premises.

10.3. Water Well Repair and Replacement. Tenant shall be responsible for the repair and replacement of the wells on the Premises during the Term of this Lease. Tenant shall have the right to alter or replace at its sole expense any of the existing wells or drill additional wells as needed to irrigate the Premises' pistachios, subject to the terms of this Lease. Upon the expiration or earlier termination of this Lease, Tenant shall leave all such wells in good operating condition, normal wear and tear excepted.

10.4. Disclaimer. Landlord makes no representations or warranties to Tenant as to the quality or quantity of the water obtained by Tenant from the available sources. Landlord will furnish to Tenant any maps of the Irrigation System in Landlord's possession, without warranty as to the accuracy, completeness or reliability of such maps.

10.5. Testing. Landlord hereby gives Tenant permission to test the wells and water on or about the Premises.

11. The Irrigation System.

11.1. Generally. The parties agree that Tenant shall have the right to use the Premises' existing Irrigation System.

11.2. Improvements to the Irrigation System. Tenant at its sole expense and in its sole discretion, may alter, repair, add to or replace the existing Irrigation System. Landlord will accept the Irrigation System "as is" at end of the Lease, provided that it's in good operation condition, normal wear and tear excepted.

11.3 Maintenance, Repair, Replacement and Additions. Tenant shall be responsible for day-to-day maintenance, repair and service of the existing or Tenant altered Irrigation System.

12. General Maintenance and Repairs.

12.1. Generally. Subject to Section 12, and throughout the Term of this Lease, Tenant shall maintain and repair the Premises pursuant to any and all applicable Federal, California, local and zoning laws, ordinances, regulations and rules governing and regulating the use of the Premises now in force or which may hereafter be enacted or promulgated, and in clean, good, safe and sanitary condition and repair, normal wear and tear excepted, and shall make whatever repairs and replacements as so required.

12.2. Contest of Governmental Orders. Tenant has the right to contest by appropriate judicial or administrative proceedings, without cost or expense to Landlord, the validity or application of any law requiring that Tenant repair, maintain, alter or replace the buildings, fixtures or improvements now or hereafter located on the Premises or any part thereof, and Tenant shall not be in default for failing to do such work until a reasonable time following final determination of Tenant's contest.

12.3. Surrender.

12.3.1. Generally. On the expiration of this Lease's Term or its earlier termination, Tenant shall surrender the Premises to Landlord in the same or better condition as it existed as of the Commencement Date, ordinary wear and tear and additions excepted (except as provided herein), clean and free of debris. Tenant shall surrender the Premises to Landlord at the expiration or termination of this Lease's Term and give Landlord or its duly appointed agents or representatives express authority to re-enter and repossess the Premises immediately thereafter.

12.3.2. Removal of Personal Property. On the expiration of this Lease's Term or its earlier termination, Tenant shall have sixty (60) days from the date of expiration or termination within which to remove any and all of its personal property, and repair any resulting damages to the Premises to Landlord's reasonable satisfaction. If Tenant fails to remove said personal property from the Premises within the period prescribed, Landlord may, in its sole and absolute discretion, remove or cause to be removed said personal property and to restore the Premises as required at Tenant's sole cost and expense without right of reimbursement from Landlord. Landlord also may, in its sole and absolute discretion, keep said personal property for a reasonable time, but in no event longer than sixty (60) days after Landlord gives Tenant written notice to remove said personal property from the Premises, after which time, if not so removed, it may be treated by Landlord as abandoned.

12.3.3. Trees, Wells and Irrigation System. Landlord accepts the trees, wells and Irrigation System in an "as is" condition at the expiration of this Lease, subject to the terms herein.

13. Alterations. Except as provided in Sections 5, 10 and 11, Tenant shall make no alterations, additions or improvements in, to or on the Premises, including the erection of any temporary or permanent structures without the prior written consent of Landlord, which will not unreasonably be withheld, conditioned or delayed. Landlord shall respond to all such requests within thirty (30) days. Both parties agree that Tenant has the right to erect windbreaks as necessary to protect the pistachio trees, and make other repairs described in Sections 5, 10 and 11 without Landlord's consent.

14. Assignment and Subletting. Notwithstanding Section 20.12 and with the exception of assignments or subleases to entities controlled by, controlling or under common ownership with Tenant, or arising out of any merger or consolidation of Tenant, for which no consent of Landlord is required, Tenant shall not assign this Lease or sublet the whole or any part of the Premises without the prior written

consent of Landlord, and Landlord shall not unreasonably withhold its consent provided any proposed assignee or sublessee has sufficient experience, skill, assets and creditworthiness in Landlord's reasonable judgment. Consent to an assignment or subletting by Landlord shall not be deemed to be consent to any subsequent assignment or subletting. In the event of any such assignment, Tenant shall deliver to Landlord within a reasonable time thereafter, a written agreement from the assignee agreeing to perform the terms, covenants, and conditions of Tenant contained in this Lease. Any such consent by Landlord shall not release Tenant from any of Tenant's obligations hereunder or be deemed to be a consent to any subsequent assignment, subletting, occupation or use by another person. This Lease shall not, nor shall any interest herein, be assignable as to the interest of Tenant by operation of law without the prior written consent of Landlord.

15. Losses

15.1 Damage or Destruction. If the Premises or any part thereof is damaged or destroyed by fire, the elements, acts of nature or by causes not the fault of Tenant Parties or any person in or about the Premises with the express or implied consent of the Tenant, the damaged Premises shall be repaired, if commercially reasonable to do so, without expense to Tenant, or Landlord may, at its option, terminate this Lease as to the affected portion of the Premises. In the event that Landlord elects to repair the damaged Premises, this Lease shall continue in full force and effect except that the rental due hereunder shall be abated to the extent of the damage. Civil Code Sections 1932(2) and 1933(4) or any successor statutes shall not apply to this Lease and Tenant hereby waives the benefits thereof.

15.2 Condemnation. If all or any part of the Premises shall be taken as a result of the exercise of the power of eminent domain, this Lease shall terminate as to the part so taken as of the date of taking. In the event of any taking, Landlord shall be entitled to any and all compensation, damages, income, rent, awards, or any interest therein whatsoever which may be paid or made in connection therewith. Tenant shall have the right to receive and pursue separate compensation for the value of any unexpired Term of this Lease affected by condemnation. In the event of a partial taking of the Premises which does not result in a termination of this Lease, the percentage of the crop described in Section 3.1 payable to Landlord as rent shall remain the same.

16. Landlord's Access. Landlord and its agents, employees, independent contractors and representatives shall have the right, at all reasonable times during the term of this Lease, to enter the Premises for the purposes of inspecting, repairing, and exhibiting the same to prospective tenants or purchasers, except in the event of the need for emergency repairs, in which event no prior notice must be given by Landlord.

17. Defaults; Remedies.

17.1. Generally. If Tenant defaults in the payment of crop share or in the performance of any other term, covenant or condition of this Lease or if Tenant abandons or vacates the Premises, Landlord shall have the right either to terminate Tenant's right to possession of the Premises by giving notice of termination to Tenant, and thereby terminate this Lease, or to have this Lease continue in full force and effect with Tenant at all times having the right to possession of the Premises. A default under this Lease shall include, but not be limited to, the following: (i) failure to timely provide crop share; (ii) failure to pay any sum under this Lease within thirty (30) days of such payments due date; (iii) use of the Premises for any purpose other than as authorized in this Lease; and (iv) failure to perform any of the conditions, covenants, provisions or terms of this Lease within thirty (30) days after written notice from Landlord to Tenant, however, if more than thirty (30) days are required to cure such default, then Tenant shall not be in default under this Lease if it is diligently working on a cure of such default.

17.2. Election to Continue This Lease. If Landlord elects to have this Lease continue in full force and effect, Tenant shall remain liable to perform all of its duties and obligations under this Lease and Landlord may enforce all of Landlord's rights and remedies, including the right to recover its crop share, pursuant to Civil Code Section 1951.4 as it reads upon the date of this Lease. If Tenant abandons the Premises or fails to maintain and protect the same as provided herein, Landlord shall have the right to do the following: (a) all things necessary or appropriate to maintain, preserve and protect the Premises, including, without limitation, the installation of keepers or guards or the appointment of a receiver; and, (b) to relet the Premises as the agent of Tenant and for Tenant's account and to do all things appropriate for such reletting. In the event Landlord relets the Premises, the rent received by Landlord shall be credited to Tenant's account. None of the foregoing acts shall be deemed to terminate Tenant's right of possession and Tenant agrees to reimburse Landlord on demand for all amounts reasonable expended by Landlord in connection with the foregoing acts, together with interest on all amounts expended by Landlord from time to time at the maximum legal rate. Notwithstanding any such election to have this Lease remain in full force and effect, Landlord may, in its sole and absolute discretion, elect to terminate Tenant's right to possession of the Premises and thereby terminate this Lease for any previous breach of default hereunder by Tenant which remains uncured or for any subsequent breach or default at any time thereafter.

17.3. Election to Terminate This Lease. If Landlord gives notice to Tenant of election to terminate Tenant's possession of the Premises, Landlord shall be entitled to recover from Tenant the amounts specified in Civil Code Sections 1951.2(a)(1), (2) and (4) as it reads upon the date of this Lease, together with interest on such amounts at the maximum legal rate per annum from the dates they were due, computed as of the date of the award, together with the worth at the time of the award of the amount by which the unpaid rent for the balance of the term of this Lease exceeds the amount of such rental loss that Tenant proves could be reasonably avoided pursuant to Civil Code Section 1951.2(a)(3).

17.4. Remedies Cumulative. No right or remedy herein conferred upon or reserved to Landlord is intended to be exclusive of any other right or remedy herein or by law, provided that each will be cumulative and in addition to every other right or remedy given herein or now, or hereafter existing at law or in equity.

18. Rights of First Refusal.

18.1. Tenant's Right of First Refusal. During the Term and any Extended Term, in the event that Landlord proposes to sell all or a portion of the Premises, whether by sale of Landlord's assets, by sale of a controlling interest in Landlord if Landlord is a corporation, limited liability company, partnership, or other form of business association, or by any other means that directly or indirectly transfers all or a portion of the Premises, Landlord must first submit to Tenant a copy of any bona fide written offer made or received, or if none, a statement in writing of all the terms of the proposed sale and the identity of any proposed buyer or purchaser for any offer that Landlord is willing to accept. As long as Tenant is not at the time in default under this Lease, Tenant has the irrevocable first right and option to purchase the Premises, or that portion of the Premises described in the written offer or statement, on the same terms as stated in the written offer or statement, exercisable by notifying Landlord in writing of its election to do so within twenty (20) days after receipt of the written offer or statement. If Tenant does not so notify Landlord within such twenty (20) day period, then a sale of the Premises, or such portion thereof, to a third party may be consummated, but only on all the same terms as are set forth in the written offer or statement and to the same party, if any, identified in the offer. If the sale is not consummated with the third party within two hundred seventy (270) days after receipt by Tenant of the written offer or statement, then the proposed sale will be deemed withdrawn, and all the provisions of this Section 18.1 will again become fully applicable, as if no sale had been proposed.

18.2. Landlord's Right of First Refusal. During the Term and any Extended Term, in the event that Tenant proposes to sell Tenant's rights under this Lease (assignment of the Lease), Tenant must first submit to Landlord a copy of any bona fide written offer made or received, or if none, a statement in writing of all the terms of the proposed sale or assignment of this Lease and the identity of any proposed buyer or assignee for any offer that Tenant is willing to accept. Landlord has the irrevocable first right and option to purchase Tenant's rights under this Lease and to cancel this Lease exercisable by notifying Tenant in writing of its election to do so within twenty (20) days after receipt of the written offer or statement. If Landlord does not so notify Tenant within such twenty (20) day period, then a sale or assignment of the Lease may be consummated, but subject to the terms of Section 14 concerning any such assignment, and only on all the same terms as are set forth in the written offer or statement and to the same party, if any, identified in the offer. If the sale or assignment of the Lease is not consummated with the third party within one hundred ten (110) days after receipt by Landlord of the written offer or statement, then the proposed sale will be deemed withdrawn, and all the provisions of this Section 18.2 will again become fully applicable, as if no sale of the Lease had been proposed.

18.3. Completion of Transaction. Any transaction between the parties pursuant to this Section 18 shall be completed no later than the ninetieth (90th) day after which the purchasing party exercises its right of first refusal.

18.4. Excluded Transactions.

18.4.1. Transfers by Landlord. Section 18.1 shall not apply to the following transfers of the Premises:

- a. An interfamily transfer of an interest in Landlord as part of an estate plan; and,
- b. A transfer to an entity controlled by any of the shareholders of Landlord or their respective heirs.
- c. A transfer to an entity controlled by, controlling or under common ownership with Landlord or any of its shareholders, or arising out of any merger or consolidation of Landlord,

18.4.2. Transfers by Tenant. Section 18.2 shall not apply to the following transfers of the Tenant's rights under the Lease:

- a. An interfamily transfer as part of Tenant's estate plan; and,
- b. A transfer to an entity controlled by Tenant or his heirs or an entity created by Tenant for charitable purposes.

19. Rights to Encumber Interests. Tenant shall have the right to encumber its share of the annual pistachio crop only as follows:

19.1. Crop. Tenant may obtain crop financing to pay farming costs incurred in the farming of the Premises (but not costs associated with other properties or other farming operations owned or managed by Tenant), with said financing to be secured by Tenant's share of the annual pistachio crop. Crop financing cannot exceed the Tenant's crop value. Crop financing may attach to the harvested crop, but may not attach to or be secured by the Premises, or any improvements thereon, including the pistachio trees.

19.2. Land and Improvements – Liens. Tenant shall keep the Premises free from any liens arising out of any work performed, materials furnished or obligations incurred by Tenant, and Tenant shall promptly pay and discharge and indemnify and defend Landlord against any and all liens arising out of any services or materials provided or construction, alterations or repairs done, suffered or permitted to be done by Tenant on or about the Premises and shall indemnify Landlord against any loss incurred by Landlord on account of such liens.

20. Miscellaneous Provisions.

20.1. Covenants. The letting hereunder is made upon and subject to the terms, covenants and conditions of this Lease and Tenant covenants, as a material part of the consideration for this Lease, to keep and perform each and all of said covenants, terms and conditions by Tenant to be kept or performed, and this Lease is made upon the condition of such performance.

20.2. Provisions Deemed Covenants and Conditions. All the provisions hereof are to be construed as covenants and conditions as though the words importing such covenants and conditions were used in each instance.

20.3. No Merger. The voluntary or other surrender of this Lease by Tenant or a mutual cancellation thereof shall not work a merger, and shall, at the option of the Landlord, terminate all or any existing subleases or subtenancies, or may, at the option of Landlord, operate as an assignment to it of any or all such subleases or subtenancies.

20.4. Estoppel Certificate; Subordination.

20.4.1 Estoppel Certificate. At any time and from time to time but on not less than ten (10) days' prior written request by Landlord, Tenant shall execute, acknowledge and deliver to Landlord, promptly upon request, a certificate certifying the following: (a) that this Lease is unmodified and in full force and effect, or, if there have been modifications, that this Lease is in full force and effect, as modified, and stating the date and nature of each modification; (b) the date, if any, to which rent and other sums payable hereunder have been paid; (c) that no notice has been received by Tenant of any default which as not been cured, except as to defaults specified in said certificate; and, (d) such other matters as may be reasonably requested by Landlord. Any such certificate may be relied upon by any prospective purchaser or mortgagee or beneficiary under any mortgage or deed of trust covering the Premises, or any part thereof.

20.4.2. Subordination. At the option of Landlord, this Lease shall be subordinate to any mortgages or deeds of trust that may subsequently be placed on the Property, to all advances made under them, to the interest on all obligations secured by them, and to all renewals, replacements and extensions of them. Provided, however, the mortgagee or beneficiary in said mortgages or deeds of trust shall recognize the rights of Tenant under this Lease in the event of foreclosure if Tenant is not in default under the terms of the Lease. If any mortgagee or beneficiary elects to have this Lease superior to its mortgage or deed of trust and gives notice of its election to Tenant, then this Lease shall be superior to the lien of that mortgage or deed of trust, whether this Lease is dated or recorded before or after the mortgage or deed of trust. Tenant shall promptly sign any document reasonably providing that this Lease is subordinate or superior as provided herein.

20.5. Sale by Landlord. Subject to Section 18, in the event the original Landlord hereunder or any successor owner of the Premises shall sell or convey the Premises, all liabilities and obligations on the part of the original Landlord or such successor owner under this Lease accruing thereafter shall terminate, and thereupon all such liabilities and obligations shall be binding upon the new owner. Tenant

agrees to attorn to such new owner. In no instance shall any action against Landlord be satisfied by any assets other than Landlord's interest in the Premises, and no individual liability shall attach to any shareholders of Landlord.

20.6. Arbitration of Disputes. Notwithstanding any language to the contrary contained in this Lease, any controversy or claim arising out of or related to this Lease or the breach thereof, including any dispute regarding the validity or scope of this Lease, shall be settled and decided by one (1) arbitrator in accordance with the California Code of Civil Procedure ("Rules"), as then in effect, unless the parties hereto mutually agree otherwise in writing; provided, however, that any claim for an amount that may be awarded in Small Claims Court shall be excluded from arbitration. Within twenty (20) days after written notice by either party to the other party requesting arbitration and stating the basis of the party's claim, the parties shall agree on an arbitrator.

A. If the parties fail to mutually agree to and select an arbitrator within such twenty (20) day period, on application by either party within fifteen (15) days' notice to the other party, the arbitration shall be commenced under the rules of JAMS or other private arbitration service, using its expedited rules. The parties shall complete and submit the standard documents required by the arbitration service to begin the arbitration.

B. The provisions of Title 9 of Part 3 of the California Code of Civil Procedure, including Section 1283.05 thereof permitting expanded discovery proceedings, shall be applicable to all disputes or controversies which are arbitrated pursuant to this Lease; provided, however, all discovery may proceed on ten (10) business days' notice. This agreement to arbitrate shall be specifically enforceable under the prevailing arbitration law. The arbitrator shall provide sufficient time for each party to reasonably complete its discovery.

C. The demand for arbitration shall be made within a reasonable time after the claim, dispute or other matter in question has arisen. In no event shall the demand for arbitration be made after the date when institution of legal or equitable proceedings based on such claim, dispute or other matter in question would be barred by the applicable statute of limitations. All notices, including notices under California Code of Civil Procedure § 1290.4 shall be given in writing to the parties as provided above.

D. The decision of the arbitrator so reached shall be binding and conclusive upon both of the parties to this Lease (whether they participated in said arbitration or not after receipt of proper notice) and judgment in accordance therewith may be entered by any court having jurisdiction thereof. The costs of any arbitration (to include reasonable counsel fees, and expert witness fees, as both are determined by the arbitrator) shall be borne exclusively by the non-prevailing party or parties unless the arbitrator for good cause determines otherwise in his or her order. The decision of the arbitrator may be appealed on all grounds specifically in the statutes governing arbitration and, in addition, upon any alleged mistake of law.

E. The parties shall each have the right to file with a court of competent jurisdiction an application for temporary or preliminary injunctive relief, writ of attachment, writ of possession, temporary protective order, or appointment of a receiver if the arbitration award to which the applicant may be entitled may be rendered ineffectual in the absence of such relief or if there is no other adequate remedy. The parties also may avail themselves of remedies exclusively within the jurisdiction of courts, such as unlawful detainer actions and bankruptcy proceedings. The actions and application for remedies described in this section shall not waive a party's arbitration rights under this Lease.

NOTICE: BY INITIALLING IN THE SPACE BELOW, YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE ARBITRATION OF DISPUTES PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW. BY

INITIALLING IN THE SPACE BELOW, YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. ARBITRATION DECISIONS AND AWARDS ARE SUBJECT TO APPEAL IN A COURT OF COMPETENT JURISDICTION. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION TO NEUTRAL ARBITRATION.

LANDLORD

1275
TENANT

20.7. No Partnership. This Lease shall not be deemed nor is it intended to give rise to a partnership relationship between Landlord and Tenant.

20.8. Waiver. The waiver by either party of any breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition or any subsequent breach of the same or any other term, covenant or condition herein contained. The subsequent acceptance of rent hereunder by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant or condition of this Lease, other than the failure of Tenant to pay the particular rental so accepted, regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such rent.

20.9. Warranties of the Parties. Each party understands, acknowledges, agrees, represents and warrants to the other party that it has received independent legal advice from its attorneys with respect to the advisability of entering into this Lease or has intentionally elected not to seek the advice of counsel and has carefully reviewed and considered the terms and conditions of this Lease, that it is empowered to execute this Lease, and that its execution of this Lease is free and voluntary.

20.10. Further Assurances. Each party shall execute and deliver any and all additional papers, documents or other assurances and shall perform any further acts which may be reasonably necessary to carry out the intent of the parties and this Lease. Tenant shall cooperate in any sale of the Premises, including an exchange under IRC Section 1031.

20.11. Notices. All notices, demands, or other communications that either party desires or is required or permitted to give or make to the other party under or pursuant to this Lease (collectively referred to as "notices") shall be made or given in writing and shall either be: (i) personally served; (ii) sent by registered or certified mail, postage prepaid; (iii) sent by telex or facsimile ("fax"); or, (iv) sent by a nationally recognized overnight delivery service or courier (such as Federal Express or UPS). All notices shall be addressed or faxed to or personally served on the parties as follows:

Landlord: H&N DEVELOPMENT CO. WEST, INC.
c/o Michael A. Rein, Esq.
REIN & REIN
900 H Street, Suite F
Modesto, CA 95354
Telephone: (209) 544-3688
Telefax: (209) 544-3695 fax

20.17. Construction. Headings are used herein for convenience only and shall have no force or effect in the construction or interpretation of this Lease. As used in this Lease, the singular includes the plural and masculine includes the feminine and neuter. This Lease and each provision herein shall not be construed against the party drafting it but shall be construed fairly and equitably as though it was the joint product of the parties. Except where the context otherwise requires, all references to the Term of this Lease shall include any extensions of such Term. The time in which any act under this Lease is to be done shall be computed by excluding the first day and including the last day. If the last day of any time period shall fall on a Saturday, Sunday or legal holiday, then the duration of such time period shall be extended so that it shall end on the next succeeding day which is not a Saturday, Sunday or legal holiday. To the extent used or subsequently used in an amendment to this Lease, the word "day" shall mean a "calendar" day and the phrase "business day" shall mean those days on which the Kern County Superior Court is open for business.

20.18. Extensions. Except where the context otherwise requires, all references to the Term of this Lease shall include any extensions of such Term.

20.19. Partial Invalidity. If any provision of this Lease is held by a court of competent jurisdiction or arbitrator to be invalid, void or unenforceable, the remaining provisions will nevertheless continue in full force without being impaired or invalidated in any way.

20.20. Time of the Essence. Time is of the essence under this Lease.

20.21. Separate Counterparts. This Lease may be executed in two (2) separate counterparts, each of which, when so executed, shall be deemed to be an original and to constitute the one and same contract.

20.22. Recordation. The parties agree to record a memorandum of this Lease in the Kern County Official Records in the form attached hereto as Exhibit "C" attached hereto and incorporated by reference as fully set forth at length (the "Memorandum of Lease"). If this Lease is properly earlier terminated or expires, then the parties shall immediately record a release or rescission of the Memorandum of Lease.

20.23. Buyout. Notwithstanding any language to the contrary herein, Landlord may terminate this Lease at any time, except during the annual growing season from approximately February 1 through October 31 so that Tenant can harvest the annual crop, upon ninety (90) days' notice and paying Tenant an amount calculated by using the same reimbursement of costs formula described in Paragraph 9.2 above, except without any proration since Tenants ability to farm would be terminated as to all acreage of the Premises. Although Landlord's notice of termination may be provided during a growing season, the effective date of the termination shall be after the harvest of the annual crop.

20.24. Tenant's Early Termination. Notwithstanding any language to the contrary herein, if circumstances occur, such as frosts, that make the Lease unprofitable for Tenant for at least two (2) consecutive years and Tenant cannot feasibly correct the circumstances, Tenant may terminate this Lease by providing ninety (90) days' notice and (i) paying Landlord for all outstanding Rent, utilities and other charges through the date of termination, (ii) leaving behind all trees, wells, the Irrigation System and other improvements on the Premises, except for those improvements Landlord requests to be removed, which Tenant shall immediately remove at its sole expense and repair any resulting damages to Landlord's reasonable satisfaction, (iii) leaving the Premises in good working order, normal wear and tear excepted, (iv) remove all personal property and equipment by the date of termination, (v) discharge any liens on the Premises and hold harmless, defend and indemnify the Landlord Parties from any costs, claims or liabilities arising out of Tenant's use of the Premises, and (vi) cooperate fully with Landlord to terminate Tenant's interests in the Premises or the crops or any crop proceeds after the date of termination, including executing a recordable document terminating this Lease and rescinding or releasing the Memorandum of Lease attached

Tenant: MR. ROD T. STIEFVATER
1639 Angie Court
Bakersfield, CA 93314
Telephone: (661) 829-5109
Telefax: (661) 215-5105

Notices given by a party pursuant to the alternative methods described in this section shall be deemed to have been delivered to and received by the other party at the following times: (a) for notices personally served, on the date of hand delivery to the other party or its duly authorized employee, representative, or agent; (b) for notices given by registered or certified mail, on the date shown on the return receipt as having been delivered to and received by the other party or parties; (c) for notices given by fax, on the date the notice is faxed to the other party or parties; provided, however, that notices given by fax shall not be effective unless either (i) a duplicate copy of such faxed notice is promptly given by first-class mail, postage prepaid, and addressed as provided above, or (ii) the sending party's facsimile equipment is capable of providing a written confirmation of the receiving party's receipt of such notice; provided further, however, any notice given by fax shall be deemed received on the next business day if such notice is received after 5:00 p.m. (recipient's time) or on a nonbusiness day; or, (d) for notices delivered by overnight courier, on the next business day after same has been deposited with the courier as evidenced by the receipt provided by such courier to the party giving notice. Each party shall make an ordinary, good faith effort to ensure that it will accept or receive notices that are given in accordance with this section, and that any person to be given notice actually receives such notice. A party may change or supplement its designated agent, address, or fax number given above, or designate additional agents, addresses or fax numbers for notice purposes, by giving notice to the other party in the manner set forth in this section, provided that any such address change shall not be effective until five (5) days after the notice is delivered or received by the other party.

20.12. Binding Effect. Subject to Sections 14 and 20.13, this Lease shall inure to and for the benefit of and be binding upon each party's respective parent, subsidiary or affiliated organizations, administrators, agents, attorneys, beneficiaries, conservators, custodians, directors, employees, executors, guardians, heirs, independent contractors, joint venturers, members, officers, partners, predecessors, representatives, servants, stockholders, successors, assigns, and all others acting for, under, or in concert with it, including associations, corporations, limited liability companies, and general or limited partnerships, past, present, and future.

20.13. No Third Party Beneficiary. Notwithstanding Section 20.12, this Lease is made for the sole benefit of the parties and their respective successors and assigns and no other person or persons shall have any right of action hereon.

20.14. Entire Agreement. This Lease contains the entire agreement between the parties and constitute an integration of the entire agreement, contract, promise and understandings of the parties. All prior agreements, conditions, contracts, promises, representations, understandings, or warranties, whether oral or written, express or implied, concerning the subject matter of this Lease are expressly superseded hereby and have no further force or effect.

20.15. Modification. This Lease may not be altered, amended, or modified in any respect, except by a writing duly executed by all the parties.

20.16. Governing Law. This Lease shall be construed, enforced, governed by, interpreted and performed pursuant to the internal laws, and not the law of conflicts, of the State of California applicable to agreements, contracts and understandings made and to be performed in such state.

hereto as Exhibit "C", and executing an assignment of Tenant's interests in the Premises or any improvements or future proceeds thereof.

20.25. Effective Date. This Lease shall become effective as of the date first written above.

H&N DEVELOPMENT CO. WEST, INC., a California
corporation ("Landlord")

By: _____

Its: _____

ROD T. STIEFVATER, an individual ("Tenant")

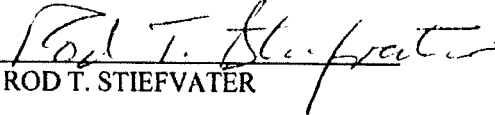

By: ROD T. STIEFVATER

EXHIBIT "A"
Legal Description of the Premises

[TO BE COMPLETED]

EXHIBIT "B"
Map of the Premises

[TO BE ATTACHED]

EXHIBIT "C"
MEMORANDUM OF LEASE

Recording Request By And
When Recorded Return To:

H&N DEVELOPMENT CO. WEST, INC.
c/o Wendell Naraghi
P.O. Box 7
Escalon, CA 95320

APN 359-031-07; 359-032-08, -13, -14, -20, -21

(Space above this line for Recorder's use only)

MEMORANDUM OF LEASE

This is a Memorandum of an unrecorded Lease dated _____ 2011 ("Lease") between the parties below concerning real property located in an unincorporated portion of Kern County, California, as more fully described in Exhibit "A" attached hereto and incorporated herein ("Premises").

1. For good and valuable consideration, Landlord has leased to Tenant the Premises under the terms and provisions in the Lease, which are incorporated into this Memorandum by reference.
2. The term of said Lease extends for twenty-five (25) years through _____, plus Tenant has the right to extend the Lease for up to five (5) additional one (1)-year terms, unless the Lease is terminated prior to such dates under the terms therein.
3. Tenant has a right of first refusal should Landlord desire to sell the Premises or any part thereof.
4. Landlord has a right of first refusal should Tenant desire to sell or assign its rights under the Lease.
5. The Lease inures to the benefit of and is binding on the heirs, legal representatives, successors and assigns of the parties.
6. This Memorandum is not a complete summary of the Lease. Provisions in this Memorandum shall not be used in interpreting the Lease. In the event of a conflict between this Memorandum and the unrecorded Lease, the unrecorded Lease shall control.

IN WITNESS WHEREOF, the parties below have executed this Memorandum of Lease this ____ day of _____, 2011.

Landlord:

H&N DEVELOPMENT CO. WEST, INC., a
California corporation

Tenant:

ROD T. STIEFVATER, an individual dba RTS
AGRIBUSINESS

By: _____
Its: _____

By: ROD T. STIEFVATER _____

State of California)
County of _____)

On _____ before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

State of California)
County of _____)

On _____ before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

1 PROOF OF SERVICE
2 STATE OF CALIFORNIA, COUNTY OF KERN

3 I am employed in the county of Kern, State of California. I am over the age of 18 and
4 not a party to the within action; my business address is 4550 California Avenue, Bakersfield,
5 California 93309. My e-mail address is shildebrand@kleinlaw.com.

6 On **December 21, 2012**, I served the foregoing document described as follows:

7 **RESPONSES AND OBJECTIONS TO DECEMBER 12, 2012 DISCOVERY ORDER**

8 ☒ by placing the true copies thereof
9 ☐ by placing the original

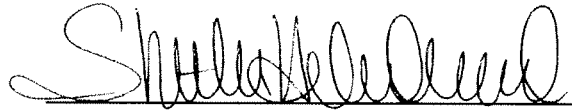
10 ☒ **BY POSTING** the document(s) listed above to the Santa Clara County Superior Court
11 website in regard to the Antelope Valley Ground Water Matter.

12 Executed on December 21, 2012, at Bakersfield, California.

13 I declare under penalty of perjury under the laws of the State of California that the above
14 is true and correct.

15 SHONTICE HILDEBRAND

16 Type or Print Name

17 

18 Signature