

Ent 102313 Bk 227 Pg 595
Date: 14-MAR-2006 4:47PM

Fee: \$25.00 Check

Filed By: AKT
BRENDA NELSON, Recorder
MORGAN COUNTY

**LEASE WITH
OPTION TO PURCHASE** or: DAVIS & WEBER CO CANAL CO

This Agreement is made and entered into as of the 1st day of May, 2005 by and between DAVIS AND WEBER COUNTIES CANAL COMPANY, a Utah nonprofit corporation, of 138 West 1300 North, Sunset, Utah 84015 ("Lessor"), and LAZY H RANCH, LLC, a Utah limited liability company, of 4569 South Holladay Boulevard, P.O. Box 171139, Salt Lake City, Utah 84117 ("Lessee").

Recitals

A. Lessor owns the parcel of real property located in Section 10, Township 2 North, Range 3 East, S.L.M., in Morgan County, Utah more particularly described in Exhibit A, attached hereto and made a part hereof (the "Subject Property"). *S. # 01-002-066 3 PART OF SA 00-0000-1865*

B. Lessee owns the parcel of real property located in Section 9, Township 2 North, Range 3 East, S.L.M., in Morgan County, Utah more particularly described in Exhibit B, attached hereto and made a part hereof ("Lessee's Property"). *S. # 01-002-063 3 PART OF SA 00-0000-1824*

C. An existing private gravel road on the Subject Property (the "Road") provides access from State Highway 66 to Lessee's Property, to East Canyon Dam and to Lessor's adjacent and nearby properties. (Lessor's adjacent and nearby properties, excluding the Subject Property, are referred to herein as "Lessor's Property").

D. Lessee desires to lease the Subject Property from Lessor, and Lessor desires to lease the Subject Property to Lessee, upon and subject to the terms and conditions hereof.

E. In addition, Lessee desires to obtain from Lessor, and Lessor desires to grant to Lessee, an option to purchase the Subject Property from Lessor upon and subject to the terms and conditions hereof.

Agreement

Now, therefore, in consideration of the mutual promises and benefits contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lessor and Lessee agree as follows:

Lease

1. Lease and Term. Lessor hereby leases the Subject Property to Lessee for a term of ten years (the "Term") for the purpose of providing access to and from Lessee's Property from State Highway 66. Lessee's right to use the portion of the Road between State Highway 66 and the existing gate leading into Lessor's Property ("Lessor's Gate") shall be nonexclusive, and Lessor reserves for itself and its invitees including, without limitation, the Bureau of Reclama-

tion of the United States Department of the Interior (the "Bureau of Reclamation"), the right to use that portion of the Road for access to Lessor's Property.

2. Rent. As rent for the use of the Access Property ("Rent"), Lessee shall pay to Lessor the sum of \$1,500.00 per year, payable annually in advance during each year of the Term.

3. Maintenance. Lessee shall maintain the Road and the existing fence along the boundary between the Subject Property and Lessor's Property (the "Boundary Fence") in good and safe condition and repair. Lessee shall not pave or otherwise alter the Road without Lessor's consent, which consent shall not be unreasonably withheld, conditioned or delayed.

4. Reimbursement of Attorneys' Fees. As soon as may be reasonably practicable following execution of this Agreement by both parties, Lessee shall reimburse Lessor for Lessor's out-of-pocket costs and attorneys' fees incurred in negotiating, preparing or reviewing this Agreement.

Purchase Option

5. Option to Purchase. Lessor hereby grants to Lessee the exclusive right and option to purchase the Subject Property (the "Purchase Option") during the Term, subject to the terms and conditions hereof.

6. Purchase Price. The purchase price to be paid by Lessee for the Subject Property upon exercise of the Purchase Option (the "Purchase Price") shall be Thirty Thousand (\$30,00.00) Dollars.

7. Entry Configuration. Lessee, at Lessee's expense, shall cause a design to be prepared by a licensed surveyor or engineer for the configuration of the entry onto Highway 66 from the Road (the "Highway 66 Entry"), and submit the proposed design to Lessor for Lessor's approval, which approval shall not be unreasonably withheld, conditioned or delayed.

8. Exercise of Purchase Option. Lessee may exercise the Purchase Option by written notice to Lessor at any time during the Term after (i) the parties have mutually agreed upon the design of the Highway 66 Entry pursuant to Paragraph 7, (ii) Lessee, at Lessee's expense, has obtained any UDOT or other governmental permits or approvals which may be required for the construction and use of the Highway 66 Entry for access to the parties' respective properties, and (iii) Lessee, at Lessee's expense, has constructed the Highway 66 Entry in accordance with the approved design.

9. Deed, Reservations and Covenants. Upon Lessee's exercise of the Purchase Option, Lessor shall convey the Subject Property to Lessee by special warranty deed, subject to a reservation by Lessor of a nonexclusive, perpetual easement upon and across the portion of the Road between the Highway 66 Entry and Lessor's Gate for access to Lessor's Property and to East Canyon Dam by Lessor and by any other persons authorized by Lessor, including, without limitation, the Bureau of Reclamation ("Lessor's Reserved Easement"). The Deed shall also be made subject to the following covenants running with the Subject Property for the benefit of Lessor's Property:

a. Maintenance of Boundary Fence. Lessee, at Lessee's expense, shall maintain the Boundary Fence of a design agreed to by the Lessor in good condition and repair. Lessee may replace the Boundary Fence with a different type or style of fence with Lessor's consent, which consent shall not be unreasonably withheld, conditioned or delayed.

b. Maintenance of Highway Entry. Lessee, at Lessee's expense, shall maintain the Highway Entry and Lessor's Reserved Easement in good, safe condition and repair, and shall not obstruct Lessor's use of Lessor's Reserved Easement; provided, however, that Lessor shall be responsible to repair any damage caused by heavy equipment traveling to or from Lessor's Property or by any other extraordinary uses of Lessor's Reserved Easement by Lessor or its invitees. Either party may pave and/or remove snow from all or part of the Highway Entry and Lessor's Reserved Easement, but neither party shall be obligated to do so.

c. If at any time Lessee or its assigns or successors construct any facilities on Lessee's Property which consists of more than residences and related out buildings, Lessee will pay Lessor One Thousand (\$1,000.00) Dollars per residential equivalent unit defined herein as a single family dwelling. For any commercial construction, the Lessee will pay Lessor Five Hundred Dollars (\$500.00) per required parking space pursuant to the then applicable zoning ordinances.

10. Closing. Lessee shall reimburse Lessor for Lessor's reasonable out-of-pocket costs and attorneys' fees that have not previously been reimbursed and that are incurred in connection with the preparation or review of the Deed or other closing documents. Lessee shall bear the cost of recording the Deed. Lessee may, at its own expense, obtain title insurance on the Subject Property. Each party shall execute and deliver such additional affidavits, statements or other documents as are reasonably and customarily required to close similar transactions. If the parties elect to use a title company as escrow agent to close this transaction, each party shall pay one-half of the escrow agent's fee.

11. Merger at Closing. Upon the closing of the sale of the Subject Property to Lessee, this Agreement shall be merged in and superseded by the Deed.

12. Notice. All notices given pursuant to this Agreement shall be in writing and shall be given by personal delivery, United States mail or other established express delivery service (such as FedEx), postage or delivery charge prepaid, return receipt requested, addressed to the appropriate party at the address set forth above. The person and address to which notices are to be given may be changed at any time by any party upon written notice to the other parties. All notices given pursuant to this Agreement shall be deemed given upon receipt. For the purpose of this Agreement, the term "receipt" shall mean the earlier of any of the following: (i) the date of actual receipt of the notice or other document by the addressee, (ii) the date of delivery of the notice or other document to the specified address as shown on the return receipt, or (iii) in the case of a refusal to accept delivery or inability to deliver the notice or other document, the earlier of the date of the attempted delivery or refusal to accept delivery, the date of the postmark on the return receipt, or the date of receipt of notice of refusal or notice of non-delivery by the sending party.

13. Successors and Assigns. This Agreement shall be binding on the parties hereto and on their respective successors and assigns.

14. Amendment. This Agreement may only be amended by a written amendment signed by both parties.

15. Complete Agreement. This Agreement, including any exhibits or other attachments, contains the complete agreement of the parties with respect to the subject matter hereof, and supersedes all prior or contemporaneous negotiations, representations and agreements relating to the subject matter hereof.

16. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Utah applicable to contracts entered into and to be performed in that state, without regard to rules governing conflicts of law.

17. Specific Enforcement. This Agreement may be specifically enforced.

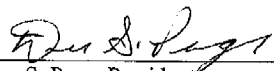
18. Attorneys' Fees. In the event of a breach of or default under this Agreement by either party, the non-defaulting party, in addition to any other relief which may be available at law or in equity, shall be entitled to recover from the defaulting party, the non-defaulting party's costs and reasonable attorneys' fees, both before and after judgment, incurred in enforcing its rights hereunder or recovering damages for the breach hereof.

19. Counterpart Execution. This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which shall constitute a single instrument. Signature pages may be detached from individual counterparts and attached to a single or multiple originals in order to form a single or multiple original of this document.

20. No Third Party Rights. Notwithstanding any references to third parties or other provisions contained herein, this Agreement is not intended to create, nor shall it in any way be interpreted or construed to create, any third party beneficiary rights in any person not a party hereto.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

DAVIS AND WEBER COUNTIES CANAL
COMPANY, a Utah nonprofit corporation

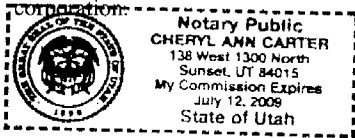
By 
Dee S. Page, President

LAZY H RANCH, LLC, a Utah limited liability company

By J. Floyd Hatch, Manager
J. Floyd Hatch, Manager

STATE OF UTAH)
 : ss.
COUNTY OF DAVIS)

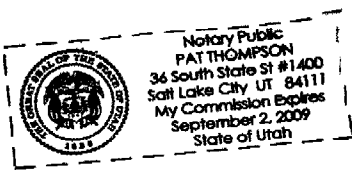
The foregoing instrument was acknowledged before me this 1st day of March, 2006, by Dee S. Page, the President of Davis and Weber Counties Canal Company, a Utah nonprofit



Cheryl Ann Carter
Notary Public

STATE OF UTAH)
 : ss.
COUNTY OF SALT LAKE)

The foregoing instrument was acknowledged before me this 1st day of March, 2006, by J. Floyd Hatch, Manager of Lazy H. Ranch, LLC, a Utah limited liability company.



Pat Thompson
Notary Public

EXHIBIT A

Subject Property

A parcel of land located in the Northwest Quarter of Section 10, Township 2 North, Range 3 East, Salt Lake Base & Meridian, more particularly described as follows:

BEGINNING at a point on the southerly right-of-way line of Utah State Route 66 which is 651.64 feet South along the west section line from the Northwest corner of said Section 10 and running thence northeasterly 178.30 feet along said right-of-way line and the arc of a 335.00 foot radius curve to the left through a central angle of 30°29'42" (chord bears North 74°45'09" East 176.20 feet) to a non-tangent line; thence North 30°29'42" West 27.00 feet along said right-of-way line to a point on a 308.00 foot radius non-tangent curve to the left; thence northeasterly 93.25 feet along said right-of-way and the arc of said curve through a central angle of 17°20'51" (chord bears North 50°49'53" East 92.90 feet) to a 501.43 foot radius non-tangent curve to the right; thence northeasterly 322.52 feet along said right-of-way and the arc of said curve through a central angle of 36°51'09" (chord bears North 61°28'43" East 316.99 feet) to a point on an existing wire fence line; thence South 11°19'16" West 35.12 feet along said fence line; thence South 52°22'52" West 106.75 feet along said fence line; thence South 52°23'44" West 302.19 feet along said fence line; thence South 56°56'10" West 209.98 feet along said fence to the west line of said Section 10; thence North 118.92 feet along said section line to the POINT OF BEGINNING.

Contains 0.94 acres, more or less.

EXHIBIT B

Lessee's Property

A parcel of land located in Section 9 Township 2 North, Range 3 East, Salt Lake Base and Meridian, containing all of Lots 5, and 12 and portions of Lot 6 and Lot 11 of Section 9

BEGINNING at a point which is South 81°26' East 2474.34 feet along the Section Line from a found corner marking the Northwest Corner of said Section 9 and East 870.82 feet along the Section Line which is the North Boundary Line of a parcel of land described in a warranty deed Book M86 Page 318 as recorded in the Office of the Morgan County Recorder; thence East 1769.18 feet to the Northeast Corner of said Section 9; thence South 5225.22 feet along the Section Line to the Southeast Corner of said Section 9; thence North 86°28'12" West 1402.66 feet along the Section line to the Southeast corner of a parcel known as the Mortensen Trade; thence North 00°00'24" West 1164.27 feet along the East line of said Parcel; thence North 89°50'37" West 366.53 feet; thence North 00°02'11" West 3973.59 feet along the East line of said parcel to the point of BEGINNING.

EXCEPTING AND EXCLUDING 0.6 acres conveyed to Morgan County for a road as recorded in the Office of the Morgan County Recorder in Book T at page 96.

Contains 199.97 acres, more or less.