WATER RIGHTS LEASE

THIS LEASE ("Lease") is made to be effective as of the__day of_____, 2022 between **TOWN OF CASTLE ROCK**, a Colorado municipal corporation, acting by and through its Town of Castle Rock Water Enterprise ("Lessor"), 100 N. Wilcox Street, Castle Rock, Colorado and **H&H FARMS**, a Colorado general partner, 49001 E. 144th Avenue, Bennett, Colorado 80102 ("Lessee").

RECITALS:

A. Lessor is the owner of certain water rights described on ***Exhibit A***, which exhibits includes the well permit information.

B. Lessee desires to lease from Lessor, and Lessor desires to lease to Lessee, the Water Rights and Equipment, as defined in Section 1, below, on the terms and conditions set forth herein.

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

AGREEMENT:

Section 1. Water Rights and Equipment Lease. Subject to the terms and conditions set forth herein, Lessor hereby leases to Lessee up to 275 acre feet ("Permitted Maximum") of the water rights associated with the well permit number 31640-FP ("Well Permit"). The water rights associated with the Well Permit shall be referred to collectively as the "Water Rights." The Water Rights together with the well, pumping equipment, electrical equipment and other equipment and facilities associated with the Water Rights (collectively referred to as the "Equipment") are described on the attached ***Exhibit A***.

Except as otherwise limited herein, Lessee shall use the wells in accordance with the Well Permit and prevent degradation of the quality of the ground water. Lessee is required to use the well(s) and the well(s) shall not be used in excess of its Permitted Maximum. Lessee is prohibited by this Lease from pumping more than the Permitted Maximum from the well(s) associated with the Well Permit. Lessee also agrees that use of the Water Rights in excess of the Permitted Maximum shall be a default under Section 9 of this Lease, and (i) Lessee shall be liable for any and all damages caused to Lessor as a result of Lessee exceeding the Permitted Maximum; and (ii) Lessor, in its sole and absolute discretion, shall be entitled to immediately terminate this Lease. In the event that Lessee's use of the Water Rights associated with the Well Permit exceeds those quantities listed above, then Lessee shall pay to Lessor a $60 per acre foot penalty.

Section 2. Rental Rate. The rental rate for the Water Rights and Equipment shall be Thirty-five Dollars ($36.50) per acre foot (AF) of water (an acre foot being equal to 325,851 U.S. gallons)

pumped from the well associated with the Water Rights. As an upfront lease payment, Lessee shall pay to Lessor $2,509.38, which represents 25% of the maximum total Rent due ($36.50 x 275 AF) under this Water Lease Agreement ("Initial Rent Payment"). The Initial Rent Payment is due April 1, 2022. The second and final rent payment shall be due November 15, 2022, which shall be calculated at $36.50 per AF for all Water Rights pumped, less the Initial Rent Payment. In the event any payment required hereunder is not made within thirty (30) days after the payment is due, a late charge in the amount of Ten Dollars ($10) will be paid by Lessee. All payments shall be made to the address set forth above or such other address specified by Lessor.

A. In order to calculate the total of rental payments, during the term of this Lease, Lessee shall report to Lessor the flowmeter readings or electric meter readings for the meter associated with the pump for the Well Permit on the reporting form attached as ***Exhibit B.*** Reporting shall occur (i) at the commencement of this Lease with the initial meter reading, (ii) on the first of each month (usage from the previous month), and (iii) upon Lease termination on November 15, 2022. Lessee shall record the meter readings for each Well Permit number and shall report the readings to Lessor by emailing the completed reporting form to Lessor within ten (10) days of the reading to the email address listed in Section 11, below. Lessee also agrees that failure to report use as outlined in this Section is a default under Section 9 of this Lease and Lessor, in its sole and absolute discretion, may immediately terminate this Lease for such Default.

B. Lease payments shall be made to Lessor at the address set forth in Section 11, below. Final payment is due no later than 30 days from termination of this Lease. In the event of termination of this Lease for any reason, any unpaid rent shall be paid no later than ten days from the date of termination. Any rent due for the volume of water used, but unpaid shall be calculated using the monthly flowmeter readings.

Section 3. Term. This Lease will be for a term commencing on_____, 2022 and terminate on November 15, 2022 ("Term"), unless terminated sooner pursuant to this Lease. The term of the Lease can only be extended or renewed in writing signed by both parties, and there can be no implied renewal of this Lease.

Section 4. Use of Water Rights. Lessee shall use the Water Rights only for the irrigation of agriculture crops as historically done by Lessee in the **SW1/4 of the NE1/4 of Section 34, T1N, R63W, 6th P.M.** (a.k.a. Parcel M) (the "Property"). Lessee shall not exceed the Permitted Maximum of water allowed under the Well Permits or use of the Water Rights to irrigate any other real property than the Property.

Section 5. United States Department of Agriculture. Lessee shall deliver to Lessor copies of the 2022 Farm Service Agency crop reports, any 2022 aerial photos on record with the Farm Service Agency and/or any other governmental farm records by August 1,2022 by Lessee, and Lessee shall also deliver to Lessor any additional Farm Service Agency crop records received by Lessee before expiration of this Lease.

Section 6. **Maintenance of Equipment**. Upon the effective date of this Lease, Lessee shall be solely responsible for the costs of operation, maintenance and repair of the Equipment and all other equipment necessary for the irrigation of the Property, which shall include the costs of all maintenance and repairs to the pumps and existing wells used for the Water Rights. During the term of this Lease, only the Lessee and/or their agents shall use the Equipment and only use it on the Property. In the event crops irrigated by the Water Rights are damaged because of Lessee's activities and/or failure to operate, maintain or repair the Equipment or any other equipment necessary for irrigation of the Property, Lessor shall have no liability for such damages to the crops or loss of crop revenue and Lessee shall have no recourse against Lessor for such damages. Upon discovery of an issue with the Equipment, Lessee shall notify Lessor immediately about the issue and what Lessee intends to do to maintain or repair the Equipment. In the event Lessee installs a part or other equipment that cost $100 or more, Lessee may remove that part or equipment and take it with Lessee when the Lease terminates. However, before Lessee removes such part or equipment, Lessee shall provide Lessor with written notice of its intent to remove such part and/or equipment and Lessor shall have ten (10) days from the date of such notice to purchase said part or equipment at the amount Lessee paid for the part and its installation (Lessee shall provide Lessor the receipt for the part and installation cost). If the Equipment, for any reason, fails to deliver the water from the well, and Lessee does not repair it and provides Lessor notice of intent to not repair, Lessor or Lessee may terminate this Lease upon thirty (30) days written notice to the other party, and Lessor shall have no liability for damages to the crops or loss of crop revenue. In the event of termination, rent shall be paid at the time of termination, If the rent due is for acre-feet used, such amount shall be calculated using both the monthly flow meter readings and the KWh/AF conversion in Section 8, below.

Section 7. Utilities. Lessee shall pay any and all power and other utility costs associated with Lessee's use of the Water Rights. Lessee shall be responsible for all arrangements required for billing of the utilities directly to Lessee. Electrical charges not associated with Lessee's usage and billed for the period after the term of this Lease shall be the responsibility of Lessor.

Section 8. Power Records. Upon execution of this Lease and prior to use of the Water Rights and Equipment, Lessee shall execute the form of letter attached hereto as ***Exhibit C*** to request that Morgan County Rural Electric Association send a "duplicate" bill to Lessor each month during the term of the Lease. Lessee hereby grants permission to Morgan County Electric Association to release to Lessor and/or its agents power records associated with the wells located in the **SW1/4 of the NE1/4 of Section 34, T1N, R63W, 6th P.M. (a.k.a. Parcel M)** with the power meter number **136861893**.

Section 9. Default and Termination. In addition to the other grounds for termination herein, Lessor may, at its option, elect to terminate this Lease upon the occurrence of an event of default by Lessee in the performance of their obligations hereunder. An event of default shall be deemed to occur if:

A. Lessee fails to pay any rental payments within thirty (30) days of the due date. Lessor shall have no obligation to provide Lessee with notice of nonpayment or an opportunity to cure;

B. Lessee uses the Water Rights in a manner other than as permitted pursuant to this Lease or the well permit(s), and fails to cease such prohibited use within five (5) days of receipt of notice of such default by Lessor;

C. Lessee fails to report meter readings within 10 days from the required date for readings.

D. Lessee assigns this Lease to a third party in violation of Section 10, below; or

E. Lessee commits a material breach of any provision of this Lease.

In the event Lessee defaults or otherwise commits a breach of this Lease, or any provision of this Lease, in addition to terminating the Lease, Lessor shall have the right to pursue (i) the remedies set forth herein, and (ii) any and all other remedies and damages, permitted in law or equity, caused by or arising from Lessee's default or breach. In the event of termination as a result of any default, rent shall be brought current by Lessee and any rent due for acre feet used but unpaid shall be paid at the time of termination, as calculated using the flow meter readings.

Section 10. Assignment and Assumption. Lessee may not assign its rights hereunder without the prior written consent of Lessor, which may be withheld in Lessor's sole discretion. In the event that Lessor consents to an assignment of Lessee's rights hereunder, the assignee shall execute an assumption agreement pursuant to which it shall assume Lessee's obligations hereunder. The terms of such assumption agreement must be approved by Lessor.

Section 11. Notices. All notices shall be in writing, and shall be delivered by hand deliver or U.S. mail, postage prepaid, to the parties at the addresses set forth above. Notices shall be deemed received on the date hand delivered, or if mailed, three (3) days after deposit in the U.S. mail, postage prepaid.

If to Lessor: Town of Castle Rock
Attn: Matt Benak, Water Resources Manager
Castle Rock Water
175 Kellogg Court
Castle Rock, Colorado 80109
Phone: 720-733-6037 (direct)
Email: mbenak@crgov.com

If to Lessee: H&H Farms
49001 E. 144th Avenue
Bennett, CO 80102
Phone: 970-381-2051 (mobile)
Fax: 303-644-5909
Email: khelzer@aol.com

Section 12. Termination Upon Sale, Transfer, Exchange or Export. In the event the Water Rights are sold, transferred, or exchanged or exported by Lessor or its assigns, then Lessor may terminate this Lease, in whole or in part, upon 30 days' prior written notice. In the event of such termination by Lessor, and Lessee has planted crop, Lessee shall attempt to procure substitute water supplies to avoid crop loss. If Lessee is unable to utilize a substitute water supply and the crops are damaged, wholly or in part, as a result of Lessor's termination pursuant to this Section 12, Lessor shall compensate Lessee for crop loss caused by Lessor's termination under this Section 12, if any, from crops planted on the Property and for which the water from the Water Rights had been used (the value of crop loss shall be based upon crop insurance records). This reimbursement provision applies only to actual crop loss caused by a termination of this Lease by Lessor under this Section 12. If the crops have not yet been planted (either wholly or partially) on the Property associated with the Water Rights, Lessor shall pay Lessee for expenses for work completed in preparation for planting, if any (Lessee shall provide Lessor with receipts for any such expenses). In the event of termination by Lessor under this Section 12, rent shall be brought current by Lessee and any rent due for acre feet used but unpaid shall be paid at the time of termination, as calculated using the monthly flowmeter readings.

Lessee shall not be entitled to compensation or reimbursement under this Section 12 or otherwise for crop damage or loss in the event of termination due to any default by Lessee or for any other reason under this Lease.

In the event of termination under this Section 12, if Lessor and Lessee are unable to agree as to the value of any such crops, tillage work, labor and material and supplies, then each parties agrees to name an arbitrator and the value arrived at by the arbitrators shall be controlling on both parties. In the event the two arbitrators cannot agree, they shall appoint a third arbitrator and the value arrived at by the majority of the arbitrators shall be controlling on both the parties. The parties shall share equally in the cost of such arbitration.

Section 13. Binding Effect. This Lease constitutes the full agreement of the parties and may not be modified except in writing signed by both parties. This Lease shall be binding on the parties and their respective successors and assigns.

Section 14 Loss, Destruction or Damage to the Water Rights and Equipment. Lessor leases the Water Rights and Equipment to Lessee in an "as is" condition, and Lessor expressly does not agree to any modification or change of the Water Rights, other than a change

of use of the Water Rights pursuant to any application filed by Lessor for the export and change or use of the Water Rights.

Section 15. Attorney's Fees. In the event of any dispute arising under the terms of this Lease (except for the arbitration procedure described in Section 12, above), or in the event of non-payment of any sums arising under this Lease and in the event the matter is turned over to an attorney, the party prevailing in such dispute is entitled, in addition to other damages or costs, to receive reasonable attorney's fees from the non-prevailing party.

Section 16. Complete Agreement. This Lease Agreement supersedes any and all prior agreements, written and oral, between the parties and constitutes the complete and entire agreement of the parties.

Section 17. Headings for Convenience Only. The paragraph headings are for convenience only and the substantive portions hereof control without regard to the headings.

Section 18. Modification. This Lease Agreement shall be modified in writing only, which writing must be executed by the parties in order to be effective.

Section 19. Controlling Law. This Lease Agreement shall be governed under, and construed pursuant to the laws of the State of Colorado.

(*Signature page to follow*)

LESSOR:

ATTEST:

TOWN OF CASTLE ROCK, acting by and through the Town of Castle Rock Water Enterprise

_____
Lisa Anderson, Town Clerk

Approved as to form:

_____
Jason Gray, Mayor

_____
Michael J. Hyman, Town Attorney

Approved as to content:

_____
Mark Marlowe, Director of Castle Rock Water

LESSEE:

H&H Farms, a Colorado general partner

By: _____

Its: Partner

STATE OF COLORADO)
) *ss.*
COUNTY OF ARAPAHOE)

The foregoing instrument as acknowledged before me this __ day of _____, 2022 by H&H Farms, a Colorado general partner.

Witness my official hand and seal.
My commission expires:

_____
Notary Public

EXHIBIT A
(Well Information)

The following water right is subject to the terms and conditions of the Findings of Fact, Conclusions of Law, Judgment and Decree of the Court entered by the Adams County District Court on May 10, 2004 in Case No. 98CV1727, and recorded on June 22, 2004 as Reception No. 20040622000516130 of the books and records of the Adams County Clerk and Recorder, and recorded on June 22, 2004 as Reception No. 3191505 of the books and records of the Weld County Clerk and Recorder; and the Findings of Fact, Conclusions of Law, Judgment and Decree of the Court entered by the Adams County District Court on June 1, 2004 in Case No. 99CV0097, and recorded on June 22, 2004 as Reception No. 20040622000516120 of the books and records of the Adams County Clerk and Recorder, and recorded on June 22, 2004 as Reception No. 3191504 of the books and records of the Weld County Clerk and Recorder, and is generally described as follows:

Permit No.: 31640FP
Priority Date: 12/10/68
Permit Location: SW1/4 of the NE1/4 of Section 34, T1N, R63W, 6th P.M. (a.k.a. Parcel M)
Maximum Annual Volume of Appropriation: 297.2 Acre Feet
Maximum Pumping Rate: 900.0 Gallons Per Minute
Maximum Number of Acres Which May be Irrigated: 157 acres

DBB-004 (11/2011)

COLORADO GROUND WATER COMMISSION
1313 Sherman St., Room 821, Denver, CO 80203
Phone: 303-866-3581, www.water.state.co.us

ADMINISTRATIVE REPORTING - METER READINGS

Calendar Year: _____

Well Permit No: _____

☐ Expanded Acres

Allowed Annual Appropriation Per Approved Change: _____ AF

Location : ____1/4____1/4 Sec ____, T _____ N / S, R ____ W

☐ Commingled Wells

Allowed Pumping This Year With 3-Yr Banking: _____ AF

Owner: _____

☐ Change of Use

Water/Power Meter Limit* (meter units): _____

☐ Other _____

* Assuming no break on record or meter changes

INSTRUCTIONS: SEE BACK OF THIS SHEET

Date M/D/Y	Flow Meter Reading ( )	Power Meter Reading ( )	Power Consumption Coef.	Acre-Feet Pumped This Period	Acre-Feet Pumped This Year-To-Date	Acre-Feet Available This Year	Read By (init)	COMMENTS / NOTES

ADMINISTRATIVE ENTITY/AGENT: District: _____

Name (please Print): _____, Signature: _____

Address:_____, City:_____, State:_____, Zip:_____, Phone:_____

FORM DBB-004 - INSTRUCTIONS FOR PROPER COMPLETION AND OBLIGATION OF THE ADMINISTRATIVE ENTITY IN REPORTING

I. Completing Form DBB-004: Most of the Form requirements are self-explanatory. Listed below are guides for completing selected items on the Form.

1. The values for "Allowed Annual Appropriation Per Approved Change" and "Allowed Pumping This Year With 3-Yr Banking" are taken from Form DBB-013 (Administrative Reporting - Three Year Modified Banking), the well permit itself, or the calculated acre-feet for those using the "3-year rolling average".

2. The "Water/Power Meter Limit" is intended to show the well owner the maximum reading (flow meter or power meter) that the meter should not exceed in the calendar year. Use caution in computing this value when the meter does NOT read acre-feet or kilowatt-hours.

3. In the second and third columns the ( ) below "Flow Meter Reading" and "Power Meter Reading" is used to state the unit multiplier. For example, a flow meter may read in "gallons X 1000" or a power meter may read in "Kwh X 160". Use the relationship of 325,851 gallons/per acre-foot. An approved power consumption coefficient demands that the power use be in kilowatt-hours. If the power is via natural gas, the meter reading w/multiplier and calculated coefficient should be listed. Natural gas power use coefficients are not approved by the Commission for regular use in estimating acre-feet but may be useful in tracking flow meter performance.

4. The "COMMENTS / NOTES" section of the form is intended to show any changes or irregularities that would aid in explaining the readings (or lack of readings). All meter serial numbers and changes should be noted. Observed irrigated acreage or acreage descriptions should be compared to that permitted. The use of any temporary power use coefficient should be noted. Any comments to the well owner should be highlighted in this section.

5. Distribution of Form DBB-004: 1 copy to the well owner/operator
   1 copy to the Colorado Ground Water Commission
   1 copy to the Water Commissioner for the Designated Basin
   1 copy for the Ground Water Management District

II. Administrative Responsibilities.

6. Frequency of Readings.
   a. Irrigation of Expanded Acres: At least six times per year, with one reading prior to irrigation pumping and one reading after irrigation pumping.
   b. Irrigation of Commingled Wells: At least three times per year, with one reading prior to irrigation pumping and one reading after irrigation pumping.
   b. Commercial or Municipal (year round): Monthly readings.
   c. Temporary Change of Use: Each week that pumping occurs while the temporary change of use is in effect and at the end of each calendar year that the temporary change of use occurred.

7. The requirements concerning the use of flow meters and power meters outlined in the Commission Policy Memorandum 95-3 must be met for wells outside of the Republican River Basin, and the requirements outlined in the Rules and Regulations Governing the Measurement of Ground Water Diversions Located In the Republican River Basin Within Water Division No. 1 must be meet for wells in the Republican River Basin. General requirements are as follows.
   a. Flow Meter Certification and Operation: Newly installed flow meters must be field certified as to accuracy to their use as a measuring device before pumping. All existing installed flow meters must be field certified every four years. Certification must be done by an entity approved by the Ground Water Commission. The flow meter must be able to measure volume of water pumped within plus or minus five (5) percent of actual. The meter should have sufficient recording digits to assure that "rollover" does not occur within three years.
   b. Power Consumption Coefficients: The well owner is responsible for having any power consumption coefficient determined by a certified tester. The results of the power consumption coefficient tests and the written application describing the current irrigation practice and how the coefficient was determined must be sent to the Colorado Ground Water Commission for approval. **Power consumption coefficients cannot be used until the use of such a coefficient is approved by the Commission.** Power consumption coefficients must be re-certified at least every four (4) years outside the Republican River Basin and every two (2) years inside the Republican River Basin.

EXHIBIT C
(Form letter to Morgan County Rural Electric Association)

_____, 2022
Morgan County Rural Electric Association
PO Box 738
20169 US Highway 34
Fort Morgan, Colorado 80701
Ph: (970) 867-5688
Fx: (970) 867-3277

To Whom It May Concern:

I, _____, as a duly authorized representative of H&H Farms, hereby grant permission to Morgan County Rural Electric Association to mail copies of monthly power records associated with the wells we lease from the Town of Castle Rock located in the SW1/4 of the NE1/4 of Section 34, T1N, R63W, 6th P.M. (a.k.a. Parcel M) with:

Power Meter Number: _____

And

MCREA Account Number: _____

to

Matthew J. Benak, PE
Water Resources Manager
Castle Rock Water
175 Kellogg Court
Castle Rock, Colorado 80109
Email: mbenak@crgov.com
Ph: (720) 733-6037

Sincerely,

_____
Signature

_____
Print Name