

**LEASE OF UPSHUR COUNTY SCHOOL LAND
IN THROCKMORTON & BAYLOR COUNTIES, TEXAS**

THIS LEASE is made and entered into to be effective on the 1st day of June 2012, by and between UPSHUR COUNTY, a political subdivision of the State of Texas (hereinafter referred to as "Lessor"), by and through the Honorable Dean Fowler, County Judge, pursuant to Article 7, Section 6 of the Texas Constitution, and Calthan Cattle Company, LLC, a Texas limited liability company (hereinafter referred to as "Lessee").

I.

DESCRIPTION OF LAND LEASED

Lessor, for and in consideration of the terms and conditions herein set out, does hereby lease to Lessee all of the following described real property in Throckmorton & Baylor Counties, Texas (hereinafter referred to as the "Leased Premises"), subject to the exceptions set forth below.

UPSHUR COUNTY SCHOOL LAND:

Tract One:

Being 8856 acres of land, more or less, described as follows:

Two leagues of land situated in Throckmorton County, Texas, granted by the State of Texas to the School Commissioners of Upshur County and their successors, by Patent No. 494, Volume 11, Abstract 825, and to which patent and record thereof in the General Land Office in Austin, Texas, reference is here made for further description and field notes.

AND

Tract Two:

Being 8856 acres of land, more or less, described as follows:

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Two leagues of land situated in Throckmorton and Baylor Counties, Texas, granted by the State of Texas to the School Commissioners of Upshur County and their successors, by Patent No. 722, Volume 12, Abstract 557 (Throckmorton County, 972 acres, more or less) and Abstract 1452 (Baylor County, 7884 acres, more or less), and to which patent and record thereof in the General Land Office in Austin, Texas, reference is here made for further description and field notes.

SAVE AND EXCEPT, Lessor reserves to itself all of the oil, gas, and other minerals in, under and that may be produced from the Leased Premises. This lease is expressly made subject to all existing and future valid mineral leases and associated pipeline easements and the rights of said pipeline companies and owners of mineral leases, and the right of Lessor, and any of its officers or agents, to enter upon the Leased Premises to explore, develop, produce, and remove minerals, or for any other purposes incident thereto. Lessor shall be directly compensated by any oil, gas, or mineral lessee(s) for surface damages caused, either directly or indirectly, by the operations of any oil, gas, or mineral lessee and/or the installation, maintenance or use of associated pipeline or access easements, on the Leased Premises; provided, however, notwithstanding the foregoing (1) Lessee is not obligated to allow the use of surface water for oil, gas or mineral operations and if Lessee does allow such use, then Lessee may charge a reasonable sum for the use of the surface water, such reasonableness to be determined by the Commissioners Court of Upshur County, Texas, and (2) Lessee, not Lessor, shall be entitled to all surface damages for damage to any growing crops. Further, it is acknowledged by Lessor that surface operations under any lease of hard minerals will damage Lessee's leasehold interest under this lease as the result of any mining or removal of dirt, sand, gravel, coal, lignite, or any other hard mineral by any hard mineral lessee, therefor, any mineral lease entered into by Lessor (other than a lease of oil, gas, or other hydrocarbons capable of being produced through a well bore) shall be subject to the prior written approval of Lessee as to the surface use provisions

thereof and payment of damages thereunder to Lessee for the damage to Lessee's leasehold interest, such approval by Lessee not to be unreasonably withheld, conditioned, or delayed.

Ingress and egress to and from the Leased Premises shall be off of State Highway 183/283 over and across an existing ranch road (the "Travis County Easement") pursuant to an irrevocable license or perpetual easement granted to Lessor and its tenants, and their respective invitees and assigns, by Travis County, Texas over and across an existing ranch road that is on certain property (the "Travis County Property") owned by Travis County. The Travis County Property is located between the Leased Premises and State Highway 183/283. For the term of this lease, Lessee assumes and agrees to comply with any maintenance obligations of Lessor under the Travis County Easement. Except as stated above, any provisions for access are the sole responsibility of Lessee, who agrees to hold Lessor harmless for any other access to the Leased Premises.

II.

TERM

The term of this lease shall be for a period of five (5) years beginning on the 1st day of June 2012 and ending on the 31st day of May 2017. Lessor and Lessee may, by mutual agreement, extend this lease for a period of five (5) years; provided, however, if Lessor and Lessee choose to so extend this lease, Lessor may increase the rental set out herein in an amount not to exceed twenty percent (20%).

III.

PAYMENT OF RENTAL

In consideration for this lease, Lessee agrees to pay a total rental of \$ per acre, for a total rental consideration of \$ which shall be payable in annual installments of

\$ _____ each, the first annual installment which is due June 1, 2012. Further, Lessee shall pay on June 1, 2012, the sum of \$ _____, which represents a pre-payment of one-half of the final lease year payment. The remaining annual installments shall each be due on or before the 1st day of June each year of the term of this lease. In the event that any installment is not made on or before the date it is due, the Commissioners Court of Upshur County, Texas, may, at its option, upon written notice to Lessee, charge an additional fifteen percent (15%) of the amount to the annual installment or portion thereof, not timely paid, and an additional five percent (5%) per month for each full calendar month during which an annual installment or any portion thereof remains unpaid; provided, however, that the acceptance of a late rental payment by Lessor shall not be deemed to be a waiver of Lessor's right to timely payment of future rentals.

Lessee agrees to provide Lessor with an irrevocable letter of credit in an amount equal to the yearly rental payment as provided in this section of this lease. The irrevocable letter of credit will be made payable to Lessor in the entire yearly rental payment amount; or, as described below, in an amount equal to that portion of Lessee's rental payment which is in default, in the event Lessee fails to make a yearly rental payment as provided in this section of this lease. If Lessor must draw on Lessee's letter of credit, then Lessor, at its option, may either terminate this lease or require Lessee to establish an additional irrevocable letter of credit so that the total payment amount under Lessee's letter(s) of credit is always equal to the yearly rental payment required under this section.

IV.

LAND IMPROVEMENT PLAN

Lessee will conduct visible management practices (hereinafter referred to as the "Land Improvements") to improve the Leased Premises during the term of this lease, at a cost to Lessee

of at least \$ per acre per annum. Land Improvements may include, but are not necessarily limited to, fencing repair, soil erosion control, weed and brush control, water impoundments, other range management and protection, and other improvements deemed necessary by Lessee or any site inspector designated by the Upshur County Commissioner's Court (the "UCCC"). The site inspector will have total access to the Leased Premises for purposes of conducting inspections.

If there is a question of changing land use classification, Lessee will make the request to the site inspector or the UCCC and provide managing reasons for the change, prior to any changes being made. The site inspector, after consulting with local agriculture authorities, such as the County Extension Agent, the Farm Service Agency, or the Natural Resource Conservator Service, will make a recommendation to the UCCC, which will have the final decision.

The total value of the Land Improvements will be determined by cash receipts and/or usual and customary charges for various management practices and, within sixty (60) days after the end of each lease year, Lessee shall submit to the UCCC in writing an accounting of the Land Improvements, including copies of the receipts and supporting documentation for those improvements.

Lessee shall maintain all existing roads and any new roads constructed by Lessee in a good and workmanlike manner.

V.

IMPROVEMENTS

It shall be a condition of this lease that any permanent improvements which are made upon the Leased Premises during the term of this lease shall remain upon the Leased Premises and become a part of the realty, and upon the termination or expiration of this lease, such

improvements shall remain on the Leased Premises and belong to Lessor without the right of compensation to Lessee.

VI.

RANGE MANAGEMENT

Lessee shall use the Leased Premises for grazing, farming and hunting purposes only during the term of this lease in accordance with prudent range management practices and shall not commit or permit to be committed any waste or injury to the Leased Premises or improvements located thereon, during the term of this lease. At any time during the term of this lease, if Lessee does not in good faith undertake the Land Improvements and diligently pursue the same to completion, Lessor, at its option, upon written notice of default to Lessee and if Lessee fails to cure the default within thirty (30) days, shall have the right to terminate this lease. Termination of this lease under this provision shall not entitle Lessee to a pro rata refund of any excess rental payment which may have already been paid by Lessee.

VII.

RIGHT OF ENTRY AND INSPECTION

If Lessor so directs Lessee in writing, Lessee shall provide an independent monitor (the "Monitor") to oversee the Land Improvements. The UCCC shall approve the selection of the Monitor. Additionally, the Monitor, if appointed, shall inform the UCCC through annual reports as to the progress and status of the Land Improvements, as well as make reports to the UCCC after each visit by the Monitor. Lessee shall bear the total cost of the Land Improvements and shall pay the Monitor, if appointed, a reasonable fee set by Lessor and costs incurred by the Monitor, such fee and costs not to exceed \$ per year in the aggregate. Lessee will be

billed for said fee and costs by the Monitor. Lessor, by and through any member of the UCCC, may enter onto said premises at any time for the purposes of inspecting the Leased Premises.

VIII.

GRAZING, FARMING, AND HUNTING RIGHTS ONLY

By this lease, Lessor grants Lessee the right to use the leased premises for grazing, farming and hunting purposes only.

IX.

CONDITION OF PREMISES

Lessee accepts the Leased Premises in the condition in which it exists at the date of execution and delivery of this lease.

X.

SUBLEASE OR ASSIGNMENT

Lessee shall not sublease or assign the entirety or any portion of the Leased Premises without receiving prior written approval of the UCCC. Failure of Lessee to obtain such approval shall constitute a default. Notwithstanding the foregoing, Lessee may, as lessor, enter into hunting leases without the prior written approval of Lessor so long as Lessee remains bound by and obligated to perform all of Lessee's obligations hereunder.

XI.

DEFAULT

Lessee shall be in default of this lease if Lessee:

1. Fails to timely make rental payments in accordance with this lease;
2. Fails to meet any of its other obligations under this lease in accordance with the terms and conditions of this lease;

3. Loses possession of the Leased Premises by reason of receivership, bankruptcy proceedings, or other operation of law in any manner whatsoever; or
4. Files for protection under bankruptcy provisions of the law.

B. If Lessee should fail to make timely rental payments, or if Lessee remains in default under any other condition or provision of this lease for a period of 30 days after written notice from Lessor in accordance with the terms of this lease, or should any person other than Lessee secure possession of the Leased Premises or any part thereof by reason of any receivership, bankruptcy proceedings, or other operation of law in any manner whatsoever, or should Lessee file for protection under bankruptcy, Lessor may, at its option, without notice to Lessee, terminate this lease; or, in the alternative, Lessor may reenter and take possession of said premises and remove persons and property therefrom without being deemed guilty of any manner of trespass or conversion and Lessor may relet the premises or any part thereof for all or any part of the remainder of the lease term to a party satisfactory to Lessor for such rental as Lessor may, with reasonable diligence, be able to secure. Should Lessor be unable to relet the premises after reasonable efforts to do so, or should such rental be less than the rental Lessee was obligated to pay under this lease, then Lessee shall pay to Lessor the amount of such deficiency, plus the expenses of reletting the premises.

C. In the event of any termination of this lease or reentry by Lessor under the terms of this section, Lessee shall not be entitled to any return of any portion of any previously paid rental payment; provided, however, that any unearned rental payment shall be credited toward the amount of any deficiency required to be paid by Lessee under the terms of this section.

D. It is expressly understood and agreed that in the event of default by Lessee under the terms of this section or under any other provision of this lease, Lessor shall have a lien upon all goods, chattel, or personal property of any character, kind, or description belonging to Lessee

which are placed on or become a part of the Leased Premises as security for rent due and rent to become due for the remainder of the current lease term, which lien shall not be in lieu of or in any way affect Lessor's statutory lien given by law, which shall be cumulative thereto.

E. If the cattle operation on the Leased Premises is financed, then upon request by the lender, Lessor will subordinate Lessor's liens to such lender's lien on the cattle (but not Lessor's liens on any other property of Lessee located on the Leased Premises).

XII.

RIGHTS AND REMEDIES

All rights and remedies of Lessor under this lease shall be cumulative and none shall exclude any other right or remedy at law. Such rights and remedies may be exercised and enforced concurrently and whenever and as often as occasion therefore arises.

XIII.

RELATIONSHIP OF PARTIES

This lease shall not give rise to a partnership relationship between the parties hereto. Neither party shall have the authority to bind the other without the other's written consent.

XIV.

INDEMNITY

A. Lessee agrees and covenants to completely indemnify and hold harmless Lessor against any and all claims, demands, costs, and expenses, including reasonable attorney's fees for the defense thereof, for damage or injury to any person or persons and for damage to or loss of any property arising directly or indirectly in whole or in part from the intentional or negligent acts or omissions of Lessee, its agents, servants, employees, contractors, guests, hunting lessees,

or invitees on or about the Leased Premises including, but not limited to, the conduct or management of Lessee's business or its use of the Lease Premises.

B. In the event any action or proceeding is brought against Lessor by reason of any demands, damages, costs, or expenses arising under those circumstances described in paragraph A of this section, Lessee further agrees and covenants to defend the action or proceeding by legal action acceptable to Lessor. Lessee shall give Lessor notice of said action or proceeding as provided in Section XVI of this lease.

C. Lessee shall carry liability insurance sufficient to cover the liability of Lessee under paragraphs A and B of this section. Before execution of this lease, Lessee shall provide a certificate or certificates of insurance evidencing the insurance coverage. Said insurance shall run for a term of one (1) year and shall be renewed throughout the term of this lease. In the event the insurance evidenced by said certificate or certificates is canceled for any reason, Lessee shall provide Lessor notice of said cancellation within 30 days after Lessee receives notice of said cancellation and within 30 days after receiving notice of said cancellation, Lessee shall provide Lessor with a new certificate or certificates of insurance evidencing the insurance coverage. Failure to maintain the insurance required by this paragraph in accordance with the terms, conditions and provisions set forth herein shall constitute default by Lessee; and in the event of such default, Lessor shall be entitled to any and all rights and remedies allowed under Texas law (case law, statutory law or regulations), and any and all rights and remedies allowed under this lease.

D. The insurance coverage required in paragraph C of this section shall not be the exclusive remedy for Lessor to recover for any liability incurred by Lessee pursuant to paragraphs A and B of this section. In the event the insurance policies purchased by Lessee,

pursuant to paragraph C of this section, do not cover liability incurred by Lessee under paragraph A or paragraph B of this section, or, in the event said policies are not in effect for any reason at the time Lessee incurs such liability, Lessor shall be entitled to any all rights and remedies allowed under Texas law (statutory law, case law, regulations, or ordinances), including, but not limited to, any and all rights and remedies provided by other insurance policies covering Lessee, which are heretofore or hereafter in effect, as well as any and all assets of Lessee necessary to cover such liability. Notwithstanding the requirements for insurance coverage set forth in paragraph C of this section, Lessee shall be liable for and shall indemnify Lessor for any and all damages, personal injuries, or losses, as prescribed in paragraphs A and B of this section, whether or not Lessee carries insurance to cover said damages, personal injuries or losses.

XV.

ASSIGNMENT BY LESSOR

Lessor is expressly given the right to assign any or all of its interests under the terms of this lease. Lessor expressly reserves the right, during the term of this lease, to convey any or all of its rights, title, or interests in or to the Leased Premises by deed or otherwise; provided, however, that any such conveyance shall be subject to the terms and conditions of this lease.

XVI.

NOTICE

A. All notices sent to Lessor or Lessee pursuant to this lease shall be hand-delivered or given by registered or certified mail, postage prepaid, return receipt requested, and addressed to the proper party at the following addresses:

LESSOR: UPSHUR COUNTY, P. O. BOX 790, GILMER, TX 75644

LESSEE: CALTHAN CATTLE COMPANY, LLC, P.O. BOX 311, ATTN: ROBB STEWART, SEYMOUR, TX 76380

B. Either Lessor or Lessee may change its above designated address by giving notice as provided in this section.

C. Notice sent by registered or certified mail shall be deemed effective upon posting. Written notice, hand-delivered, shall be effective immediately.

XVII.

APPLICABLE LAW

This lease shall be construed under and in accordance with the laws of the State of Texas.

XVIII.

VENUE

All obligations of the parties created by virtue of this lease are fully performable in Upshur County, Texas; and, venue for any dispute arising out of this lease shall be in Upshur County, Texas.

XIX.

SEVERABILITY

In the event that any one or more of the provisions contained in this lease shall for any reason be held to be invalid, illegal, or unenforceable in any respect, by a court of competent jurisdiction, such invalidity, illegality, or unenforceability shall not affect any other provision of this lease, and this lease shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.

XX.

VACATING PREMISES AT EXPIRATION

At the expiration of this lease, Lessee shall promptly and peaceably vacate the whole of the Leased Premises, and shall remove all livestock of every character and description belonging to Lessee, and shall surrender possession of the Leased Premises to Lessor in as good a condition as it is in at present, except for normal wear and tear.

XXI.

BREACH

If Lessee fails to meet its obligations under this lease, Lessee shall be deemed to be in breach of this lease; and, in the event of such breach, after such notice and opportunity to cure as is provided for herein, Lessor shall be entitled to any and all rights and remedies allowed under Texas law (case law, statutory law, regulations or local ordinances). Lessor's waiver of a breach of this lease shall not be a continuing waiver of such breach or of any such subsequent breach.

XXII.

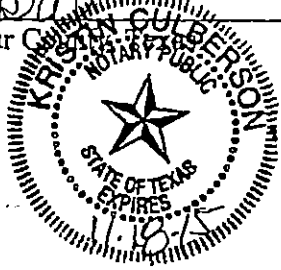
MEMORANDUM

Lessor and Lessee shall promptly execute a memorandum of lease, and Lessee shall record same in the Real Property Records of Baylor and Throckmorton Counties, Texas.

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STATE OF TEXAS §
 §
COUNTY OF UPSHUR §

THIS INSTRUMENT was acknowledged before me on this the 30 day of April 2012 by DEAN FOWLER in his capacity as County Judge of Upshur County.



Kristin Culbertson
NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS

STATE OF TEXAS §
 §
COUNTY OF UPSHUR §

THIS INSTRUMENT was acknowledged before me on this the 30 day of April 2012 by JAMES CRITTENDEN, in his capacity as Upshur County Commissioner, Precinct 1.

J

NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS

STATE OF TEXAS §
 §
COUNTY OF UPSHUR §

THIS INSTRUMENT was acknowledged before me on this the 30 day of April 2012 by COLE HEFNER, in his capacity as Upshur County Commissioner, Precinct 2.



Kristin Culbertson
NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS

STATE OF TEXAS §
 §
COUNTY OF UPSHUR §

April THIS INSTRUMENT was acknowledged before me on this the 30 day of
2012 by LLOYD CRABTREE, in his capacity as Upshur County
Commissioner District 3.



Kristin Peterson
NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS

STATE OF TEXAS §
 §
COUNTY OF UPSHUR §

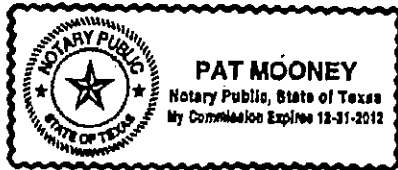
April THIS INSTRUMENT was acknowledged before me on this the 30 day of
2012 by MIKE SPENCER, in his capacity as Upshur County
Commissioner District 4.



Kristin Peterson
NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS

STATE OF TEXAS §
 §
COUNTY OF §

May THIS INSTRUMENT was acknowledged before me on this the 10th day of
2012 by ROBB STEWART in his capacity as Sole
Member of Calthan Cattle Company, LLC.



Pat Mooney
NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS