

NOW THEREFORE WITNESSETH that for and in consideration of the grants, covenants, conditions and agreements hereinafter reserved and contained on the part of the Lessee to be paid, observed and performed, the Lessor hereby demises and leases unto the Lessee the said lands together with all erections and buildings thereon, and all ways, paths, passages, privileges and advantages whatsoever to the said lands and premises belonging or enjoyed therewith together with the dairy cattle as hereinafter set forth for the purposes of a dairy farm.

BUILDINGS AND IMPROVEMENTS

Without limiting the generality of the foregoing the Lessor shall provide the Lessee with the use of the following described farm buildings and improvements:

List of building and improvements.

MACHINERY AND EQUIPMENT

The Lessor shall provide the Lessee with the use of the following described farm machinery and equipment:

List of machinery and equipment to be leased.

Provided, that it is further acknowledged and agreed to by the Lessee that should he require any additional machinery or equipment, he will provide same at his own cost.

DAIRY CATTLE LEASED

The Lessor hereby agrees to supply the Lessee with the following dairy cattle:

List all dairy cattle to be leased. This clause is only relevant where the Lessee will be bringing his own dairy cattle onto the leased lands.

BREED	AGE	NUMBER

DAIRY CATTLE SUPPLIED BY LESSEE

In addition to the dairy cattle leased by the Lessor to the Lessee, the Lessee hereby agrees to supply and maintain the ___ dairy cows during the currency of this lease of the breed, age and number as hereinafter set forth:

BREED	AGE	NUMBER

TERM

The term of the lease must be clearly described.

The Lessee shall have and hold the said lands and leased dairy cattle for and during the term of ___ years to be computed from the first day of ___, A.D. 19___, and to be fully completed and ended on the ___ day of ___, A.D. 19___.

RENT

The Lessee shall yield and pay therefore unto the Lessor at _____ or at such other place as the Lessor may direct in writing, rental for the said lands in the sum of _____ DOLLARS in lawful money of Canada payable in yearly installments of _____ DOLLARS, the first of such yearly installments to be paid on the ___ day of ___, A.D. 19___, and subsequent installments on the ___ day of _____ in each year thereafter during the term of this lease.

ALTERNATE RENT CLAUSE

The Lessee shall yield and pay therefore unto the Lessor at _____ or at such other place as the Lessor may direct in writing, commencing in the year _____ and every year thereafter during the term herein by way of clear rental and an amount equal to the sum of:

- a) _____ PERCENT of the gross proceeds derived from the sale of dairy cattle products obtained from the leased dairy cattle;
- b) _____ PERCENT of the gross proceeds derived from the sale of dairy cattle products obtained from the dairy cattle supplied by the Lessee;
- c) _____ PERCENT of the gross proceeds derived from the sale of forage crops grown on the said lands:

PROVIDED FURTHER that such percentage rent shall be payable not more than seven (7) days after receipt of sale proceeds by the Lessee. It is further understood and agreed by the parties hereto that the sale proceeds outlined above shall be not only the proceeds of sale but any other funds received from crop, hail, income or any other insurance carried in respect of such dairy cattle products, crops, and dairy cattle received by reason of such dairy cattle products, crops and dairy cattle or any deficiency therein or other compensation, subsidy or grant without deduction for any of the costs incurred in bringing the said dairy cattle products and crops into marketable condition.

DEFINITION OF GROSS PROCEEDS

Optional

Where rental is paid by way of an income/share arrangement one must define "gross proceeds".

For the purposes of this agreement "gross proceeds" shall mean the proceeds received from the sale of the whole of the proceeds as aforesaid (including, but without limiting the generality of the foregoing, not only the proceeds of sale but any other funds received from crop, hail, income or other insurance carried in respect of such dairy products and crops received by reason of such dairy products or crops or any deficiency therein together with any funds received by virtue of any other governmental or other compensation, subsidy or grant) without deduction for any expenses incurred in the production of such dairy products and crops, all of which costs and expenses the Lessee covenants and agrees to meet promptly at his own expense as the same become due except as hereinafter provided.

LESSEE'S COVENANTS

Lessee to covenant or promise to do certain things with the land/livestock and

The Lessee covenants with the Lessor:

- i) To pay rent as aforesaid;
- ii) To pay all irrigation district rates and levies in respect of the said lands;

- its operation as a farm. Failure to live up to those covenants amounts to a breach of the lease whereupon the Lessor has the right to terminate the lease and potentially sue for damages. Some of the more common covenants are set out here. It should be emphasized that these covenants are not mandatory and may be deleted or additional covenants may be added depending on the individual needs of the parties to the lease in a given situation.
- iii) To prevent any liens, judgments, or other charges against the said lands, and further, in the event of the filing of any liens, judgments or charges against the said lands, the Lessee covenants within ten (10) days of being advised of same to have the said liens or charges removed by paying same in full or providing alternative security;
 - iv) To supply and pay for at his own cost of vitamins, minerals and other medicines or vaccinations not administered by a veterinarian to the said dairy cattle as required to prevent disease or malnutrition and to promote the productivity and well-being of the said dairy cattle and to follow such health and sanitation practices in accordance with currently accepted and recommended practices in the Province of British Columbia;
 - v) To supply and pay for at his own cost all feed, water, and all labour for the supervision and care of the said dairy cattle and to generally care for the said dairy cattle and operate the dairy operation in accordance with currently accepted and recommended practices in the Province of British Columbia;
 - vi) Not to assign or sublet in whole or in part without the Lessor's prior consent in writing, such consent not be unreasonably withheld;
 - vii) To keep down all noxious weeds and to carefully protect and preserve the field crops from waster, injury or destruction, and not to allow any horses, cattle or sheep or any field pest to have access to field crops, save and except those fields used as pasture;
 - viii) To repair, clean out and keep clean in a state of repair all irrigation pipes and other irrigation equipment and to do all the irrigating work required using the irrigation as a careful hasbandman would use the same in irrigating crops of like nature, planted in like soil, such irrigation to be carried on at the Lessee's expense in the most approved manner so that no injury shall be done to the said lands or to any adjoining lands, and if any such injury is done, then the Lessee shall indemnify and save harmless the Lessor of and from all claims and demands arising therefrom, but nothing herein contained shall be construed as a warranty or covenant as to the quality or sufficiency of water available for the said lands;

In an income/share lease the cost of the insurance may be divided in the same percentage as the relative shares of the income received by each party.

- ix) To comply with all the laws, rules, government or other body having jurisdiction over the said lands including, but without limiting the generality thereof, the Dominion of Canada, the Province of British Columbia, the City of _____ and any community planning area or Regional District, in the use and occupation of the said lands, and to indemnify and save harmless the lessor from all liability, loss or damage in respect thereof;
- x) To apply for and maintain crop, dairy cattle, hail and income insurance and such other insurance or subsidy programs which may become available through the government of the Province of British Columbia or any other level of government during the currency of this lease and to maintain for the common benefit of the Lessor and Lessee public liability insurance in the form and amount satisfactory from time to time to the Lessor with the insurers acceptable to the Lessor and to deliver promptly to the Lessor a copy of each such policy of insurance, if so required by the Lessor at the Lessee's expense;
- xi) To maintain the aforescribed machinery together with the said lands and any fixtures thereon in as good condition as in the beginning of the within term, normal wear and tear excepted and to use the said lands and premises hereby demised for the purposes of a commercial dairy operation only;
- xii) Not to do any act which could potentially disqualify the crops grown on the said lands from qualifying for or under the government insurance and/or subsidy programs described herein;
- xiii) Not to alter, improve, change, remodel, tear down or destroy any buildings erected upon the said lands without the prior written consent of the Lessor;
- xiv) To make available at all times and from time to time to the Lessor or his accountants or other nominee all books of record and accounts of expenditure and income with full particulars thereof in connection with the ranching operation and that he will maintain such records and accounts fully and accurately and on a continuous basis;
- xv) To allow the Lessor or an agent or representative of the Lessor the right with all reasonable times to attend and inspect the said lands and

Optional — used in in income/
share lease.

- xvi) To operate the farm in a good husbandlike manner and to do the ploughing, seeding, cultivating, and harvesting in a manner that will conserve the Lessor's property;
- xvii) To spread the manure, straw or other crop residues as soon as practicable on the fields agreed upon by the two parties;
- xviii) Not to commit waste on, or damage the said lands and to use due care to prevent others from doing so.

LESSOR'S COVENANTS

Key Promise or Covenant of Lessor is for quiet or uninterrupted enjoyment of the lands by the Lessee. As in the Lessee's Covenants there is no limit as to the matters which may be included here. Each lease and the covenants therein will depend on the individual needs of the parties to the lease.

The Lessor hereby covenants and agrees with the Lessee:

- i) That in consideration of the Lessee paying the rent hereby reserved and performing all of the covenants herein on its part contained, the Lessee shall and may peaceably possess and enjoy the said lands for the term hereby granted without any interruption or disturbance from the Lessor or any other person or persons lawfully claimed by, from or under him;
- ii) To pay all taxes levied against the said lands;
- iii) To allow the Lessee to register the within lease, provided that the Lessor shall have the right to assign the lease to any new owner and provided, further, that if required by the lessor to do so, the Lessee shall subordinate this lease to any mortgages which nor or hereafter during the said term may affect or relate to this lease or to the said lands, and to all modifications or renewals thereof;
- iv) That the dairy cattle leased herein are in good health and condition;.
- v) That the buildings and improvements leased herein are in good and sound condition;
- vi) That the machinery and equipment leased herein are in normal operating condition and suffer from no known defects, normal wear and tear excepted.

PROVIDED ALWAYS AND IT IS HEREBY AGREED BETWEEN THE LESSOR AND LESSEE AS FOLLOWS:

- 1) LAND USE - To use the said lands as outlined in the following table:

Set out land use including areas to be used as pasture.

<u>USE OF LAND</u>	<u>ACRES</u>	<u>FIELDS</u>	<u>SEED VARIETY</u>	<u>OF FERTILIZER PER ACRE</u>

- 2) ACRES AND NUMBERS - The acres of crops and the fields on which they are grown are those planned for the first year of this lease. The Lessor and Lessee agree that they may be adjusted within the year or from year to year by mutual agreement.
- 3) CROP AND ADJUSTMENTS - If it is impracticable in any year, from causes beyond the Lessee's control to grow the crops according to the plan shown, appropriate adjustments will be made by mutual agreement between the two parties hereto.
- 4) RESTRICTION ON DAIRY CATTLE - Neither party shall bring live-stock that is not covered by this agreement on the said lands for any period of the lease without the express written permission of the other party.
- 5) VETERINARY COSTS - To share the costs arising from medicines, drugs, and services rendered by a professional veterinarian to the leased dairy cattle in the case of treatment of sick dairy cattle in the same proportion as the share of income set out in this agreement; provided, however, that the Lessee shall be responsible for any such costs in relation to the dairy cattle owned by him.
- 6) CHEMICAL FERTILIZER AND SEED COSTS - To share the cost of chemicals, fertilizer, seed treatment, in the same proportion as the share of income set out in this agreement.
- 7) CULLING - To cull and replace weak or diseased animals and to market the culled animals and to share the income derived from the sale thereof on the same basis as other income shared pursuant to the within lease. The Lessor and Lessee shall mutually agree on whether to replace the culled animals by way of the natural increase of calves or by purchasing replacement animals. In the event the

Lessor and Lessee agree to purchase replacement animals the cost thereof shall be shared by the parties as follows:

- 8) DEATH LOSSES - To attempt to replace death losses in the dairy cattle herd from the natural increase of calves provided, however, that the Lessor and Lessee may mutually agree to purchase replacement animals in which case the cost of such replacement animals shall be shared as follows:
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- 9) DEFAULT - If and where the rent hereby reserved or any part thereof, whether lawfully demanded or not, is not paid when due, or in the case of a breach or non-observance or non-performance by the Lessee of any of the covenants, agreements, provisos, or conditions on the part of the Lessee to be kept, observed or performed and any such default on the part of the Lessee shall continue for fifteen (15) days after written notice thereof to the Lessee by the Lessor, and in every such case, the Lessor, in addition to any other remedy now or hereafter provided by law, may at its option, cancel this lease and re-enter and take possession of the said lands and other property leased herein or any part thereof by force, if necessary, without any previous notice of intention to re-enter and may remove all persons and property therefrom and may use such force and assistance in making such removal as the Lessor may deem advisable and such re-entry shall not operate as a waiver or satisfaction in whole or in part of any right, claim or demand arising out of or connected with any breach or violation by the Lessee of any covenant or agreement on his part to be performed.

Clause stating Lessee has examined the lands and dairy cattle that there are no representations other than those contained in the lease.

- 10) EXAMINATION OF LANDS AND DAIRY CATTLE - The Lessee agrees that is has leased the said lands and dairy cattle after examining the same and that no misrepresentations, warranties or conditions have been made other than those expressed herein and that no agreement collateral hereto shall be binding upon the Lessor unless it is made in writing and signed on behalf of the Lessor.

Interest on overdue rent.

11) INTEREST ON OVERDUE RENT - Any installment of rent not paid on the due date shall, without prejudice to any other rights of the Lessor arising from such breach, bear interest from such due date at the rate of _____ PERCENT per annum until paid.

Failure to insist on performance of a covenant does not amount to waiver of same.

12) NON-WAIVER - The failure of the Lessor to insist upon strict performance of any covenants or conditions in this lease or to exercise the right or option hereunder shall not be construed or operate as a waiver or relinquishment for the future of any such covenant, condition or option and no waiver shall be inferred from or implied by anything done or omitted by the Lessor, save only express waiver in writing. The acceptance of any rent or the performance of any obligation hereunder by a person other than the Lessee shall not be construed as an admission by the Lessor of any right, title or interest of any such persons as a sub-tenant, assignee, transferee or otherwise in place and stead of the Lessee.

Clause to be implemented where the Lessee remains in possession after the term of the lease has expired.

13) OVERHOLDING - should the Lessee continue to occupy the said lands after the expiration of the term granted hereby, the Lessor shall accept rent, and the new tenancy created thereby shall be deemed a yearly tenancy and shall be subject to the covenants and conditions contained in this lease insofar as the same are applicable to a tenancy from year to year, save and except that the rental payable shall be as determined by the Lessor.

Renewal of lease clause.

14) RENEWAL - The Lessor and Lessee further agree that if the Lessee duly pays the said rent and keeps and performs all and every of the covenants, provisos and agreements herein and on the part of the Lessee to be paid, kept and performed, the Lessor will, upon the request of the Lessee made three months previous to the expiration of the term hereby granted and at the cost of the Lessee, grant to the Lessee a renewal lease of the said lands for a further term of _____ years, subject to the same covenants, provisos and agreements as herein contained, with the exception of this clause, and with the exception of rent which shall be mutually agreed upon by the parties hereto and in the event that such parties are unable to agree, then it shall be mutually agreed by and between the parties hereto that a reasonable rent shall be determined by arbitration held pursuant to the Arbitration Act, Chapter 18 of the Revised Statutes of British Columbia, 1979 and amendments thereto.

Remedy of Lessor where Lessee has not operated the lands and livestock operation in a good and proper

15) FAILURE TO PERFORM WORK - Should the Lessee fail to perform any of the work of the dairy cattle operation as herein provided or meet any expenses when due or repair, then the Lessor may give to the Lessee seven (7) days notice to commence the said work and if the default shall continue, then the Lessor or its agent duly authorized in that behalf may enter upon the said lands with such agents, servants or workmen as he may consider necessary and proceed to do the said work and pay the said expenses all at the expense of the Lessee and the Lessee hereby covenants forthwith thereafter to pay the Lessor the costs of the same.

manner.

Arbitration Clause to be used where the parties disagree as to whether or not the farming operation is being

16) ARBITRATION - In the event that the parties hereto disagree as to whether or not the said lands and dairy cattle are being operated and cared for in a good and proper manner, such disagreement shall be settled by arbitration pursuant to the provisions of the Arbitration Act of the Province of British Columbia. The arbitration shall be conducted by and before three (3) arbitrators, one to be chosen by each party hereto and the third by the two so chosen, provided that such arbitrators shall be persons experienced in the matters of dispute. The decision of the arbitrators shall be final and binding upon the parties. Pending the completion of any arbitration, the parties agree to proceed insofar as practicable in the performance of the Agreement.

run properly.

Remedy of Lessor where Lessee bankrupt or insolvent.

8) BANKRUPT OR INSOLVENT - It is hereby expressly agreed and understood by and between the parties hereto that if the interests of the Lessee hereunder and any of the goods and chattels of the Lessee shall at any time during the said term or any renewal thereof be seized or taken in execution or attached by any creditor of the Lessee or if the Lessee shall make an assignment for the benefit of his creditors, or become bankrupt or insolvent and shall take the benefit of any act that may be in force for bankrupt or insolvent debtors or shall abandon the said lands, then, in every such case the current year's rent shall immediately become due and payable and the term hereby granted shall, at the option of the Lessor, forthwith be forfeited and determined.

18) RIGHT OF FIRST REFUSAL — Should the Lessor desire at any time during the term of this Lease to sell his interest in the said lands and

Clause giving Lessee the right to purchase the lands before they are offered for sale to another party.

dairy cattle the Lessor agrees to first offer such lands and cattle to the lessee at a price to be named by the Lessor, and if the Lessee shall not within ____ days accept such offer, then the Lessor shall be at liberty to sell such lands and cattle to any other person or persons at the same or at a higher price but shall not sell the said lands and cattle to any other person or persons at a lesser price or on better terms unless and until it shall first have been offered to the Lessee at such lesser price and on similar terms and that such last mentioned offer shall not have been accepted within ____ days by the Lessee, all such offers and acceptances and any refusal to be made in writing. Any such sale to a person or persons other than the Lessee shall be subject to this lease for the initial term hereof, save and except the option for first refusal to purchase herein granted, which shall lapse upon such sale. Further provided, that if the Lessee does not exercise his option herein to purchase the said lands, and the said lands are in consequence duly sold by the Lessor to any other person or persons, the Lessee shall at the Lessor's request promptly execute a release of this option for first refusal to purchase in registrable form and deliver the same to the Lessor for registration, and the Lessee hereby irrevocably appoints the Lessor as his attorney to duly execute a release of the option for first refusal to purchase in such event on his behalf, and authorizes the Registrar of Land Titles having jurisdiction to accept such a release duly executed by the Lessor as his attorney, verified by a Statutory Declaration of the Lessor as to be circumstances aforesaid, for registration so as to release the option for first refusal to purchase herein in such event.

Notice — where to be given.

19) NOTICE — Any notice hereunder may be given by prepaid registered mail, addressed to the other party at the other party's respective address as aforesaid, or at such other address as either party may notify the other of in writing during the term hereof and any such notice shall be deemed to have been received the day following its posting. Any such notice may also be given to either party by delivering the same in writing to the said party by hand.

Lease binding on heirs, successors, etc. of such party.

20) This Lease and everything herein contained shall enure for the benefit of and be binding upon the heirs, executors, administrators, successors, assigns and other legal representatives, as the case may be, of each of the parties hereto, subject to the granting of consent by the Lessor to any assignment or sublease, and every reference herein to

any party hereto shall include the heirs, executors, administrators, successors, assigns and other legal representatives of such party and where there is more than one Lessee or where there is a female party or corporation, the provisions herein shall be read with all grammatical changes thereby rendered necessary and all the covenants shall be deemed joint and several.

IN WITNESS WHEREOF the parties hereto have hereunto affixed their corporate seals in the presence of their officers duly authorized in that behalf, or have hereunto set their hands and seals, as the case may be, on the day and year first above written.

SIGNED, SEALED AND DELIVERED

in the presence of:

THE CORPORATE SEAL OF

was hereunto affixed in the presence of:

SAMPLE ONLY