

CLOUSE PROPERTY LEASE

This Lease (“Lease”) is made as of **January 1, 2013** (the “Effective Date”) by and between HARVEY and MITZIE CLOUSE (“Landlord”), and HYBRID ENERGY GROUP, LLC, a Colorado limited liability company (“Tenant”).

RECITALS

- A. Landlord is the owner of that certain real property located in Missoula County, Montana, consisting of approximately 130 acres, more or less, as more particularly described on Exhibit A attached hereto and incorporated herein by this reference (the “Property”).
- B. Tenant intends to develop a plantation of hybrid poplar trees on the Property to serve as a land application site for treated wastewater provided by the City of Missoula from its municipal wastewater treatment plant.
- C. Landlord desires to lease the Property to Tenant and Tenant desires to lease the Property from Landlord pursuant to the terms and conditions contained in this Lease.

NOW, THEREFORE, for valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties agree as follows:

1. Leased Premises. Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, upon the terms and conditions set forth in this Lease, the approximately 130 acres of real property described in Exhibit A, together with all improvements and structures thereon and all appurtenant rights thereto, including, without limitation, pumps, motors, electrical panels, electrical hookups, water discharge facilities, pipelines, irrigation systems, easements, rights-of-way for ingress and egress, licenses and water rights and privileges, which water rights and privileges include, without limitation, any and all rights such real property may have, or that Landlord may have with respect to such real property, including any above-ground and below-ground pipeline, rights, easements, licenses or privileges with respect to any canal or ditch, to receive irrigation water from Hellgate Valley Irrigation Company (the “Irrigation Company”) (collectively, the “Premises”).

2. Base Rent. As and for rental of the Premises, Tenant shall pay to Landlord annually the base rent of One Hundred and No/100 Dollars (\$100.00) per acre, for a total annual rent of Thirteen Thousand and No/100 Dollars (\$13,000.00). The rent shall be paid in equal quarterly installments of Three Thousand Two Hundred Fifty and No/100 Dollars (\$3,250.00) due on the first day of each quarter, except that during the Extended Lease Term rent due in the first quarter shall not be due until the last day of January to

allow for the annual calculation of CPI adjustment to the base rent. Tenant shall pay the rent to Landlord at Landlord's address for notices hereunder or at such other place as Landlord shall from time to time designate in writing.

3. Annual Adjustment of Rent. There shall be no increase in base rent during the Initial Lease Term. Tenant and Landlord agree to annual increases in base rent beginning in the first year of the Extended Lease Term at a rate based on the percentage change of the Consumer Price Index (the "CPI"). The CPI adjustment shall be calculated in January using the average annual percentage change during the previous year. For purposes of this section, the term "Consumer Price Index" or "CPI" shall mean the U.S. Bureau of Labor Statistics Consumer Price Index for All Urban Consumers, West Urban Area, Not Seasonally Adjusted, Series Id: CUUR0400SA0, (1982-84 equals 100), or any renamed local index covering Montana or any other successor or substitute index appropriately adjusted.

4. Initial Lease Term. The term of this Lease shall be **one (1) year commencing on the Effective Date, and ending on December 31, 2013** (the "Initial Lease Term").

5. Tenant's Option to Extend; Extended Lease Terms.

(a) Tenant may extend the initial term of this Lease (the "Option to Extend") for up to three additional extended lease terms: (i) one (1) additional thirteen (13) year period, and (ii) two (2) subsequent additional one (1) year periods. The extended lease terms shall total not more than fifteen (15) years, commencing on **December 31, 2013, and ending on December 31, 2028**, and shall be subject to all of the provisions of this Lease (the "Extended Lease Terms").

(b) Tenant's right to exercise its Option to Extend is subject to the following conditions: (i) no less than three (3) months prior to the expiration of the Initial Lease Term or the Extended Lease Terms, Tenant shall give Landlord written notice irrevocably exercising its Option to Extend ("the Extension Notice"), (ii) this Lease shall be in effect at the time the Extension Notice is given and on the last day of the term, and (iii) there shall not be an Event of Default by Tenant under this Lease at the time the Extension Notice is given and on the last day of the term. When Tenant has rightfully exercised the Option to Extend, Landlord and Tenant shall execute a memorandum, in mutually agreeable recordable form, acknowledging the fact that the Option has been exercised and otherwise complying with the requirements of law for an effective memorandum or notice of Lease. Such memorandum or notice of lease shall be recorded in accordance with the requirements of law on or promptly after the commencement of such renewal period of the Lease.

6. Tenant's Right of First Refusal to Purchase Property.

(a) If at any time during the Initial Lease Term or Extended Lease Term Landlord shall reach substantial agreement on the basic business terms of a sale of all or any portion of the Property (the "Sale Parcel") to a prospective purchaser, then Landlord

shall notify Tenant in writing (the “Landlord’s Notice”) setting forth (i) the size and location of the Sale Parcel as established by a registered Certificate of Survey, (ii) the proposed closing date, (iii) the purchase Price, and (iv) all other economic terms upon which Landlord is prepared to sell the Sale Parcel to the prospective purchaser.

(b) Provided Tenant is not in default of the terms hereunder, Tenant shall have the right of first refusal to purchase the Sale Parcel on the terms and conditions outlined in Landlord’s Notice, which right is exercisable by written notice from Tenant to Landlord given not less than ten (10) business days after the giving of Landlord’s Notice, time being of the essence. If Tenant fails to notify Landlord in writing that it will purchase the Sale Parcel within the prescribed ten (10) business day period, Tenant’s right of first refusal shall terminate, and Landlord shall have no further obligation to the Tenant under this Section 6 with respect to the Sale Parcel, except that if Landlord, within six (6) months after the date of Landlord’s Notice, has not closed on the sale of the Sale Parcel under terms and conditions which are substantially similar to those set forth in the applicable Landlord’s Notice, then Tenant’s right of first refusal under this Section shall be reinstated and Landlord shall be required to reissue Landlord’s Notice upon expiration of such six (6) month period. If Tenant shall exercise its right to purchase the Sale Parcel, pursuant to this Section, such sale shall be consummated on the terms and conditions mutually acceptable to both Landlord and Tenant, except to the extent such terms and conditions conflict with those set forth in the Landlord’s Notice in which case the terms in Landlord’s Notice shall control.

7. Change of Landlord. In the event that ownership of the land comprising the Property is conveyed or transferred (whether voluntarily or involuntarily) by Landlord to any other person or entity than the Tenant, this Lease shall not cease, but shall remain binding and unaffected.

8. Assignment and Sublease. Landlord conveys to the Tenant the right to lease or sublease any part of the Premises or to assign the Lease and all the rights of the Tenant contained within the Lease to the City of Missoula. Landlord does not convey to the Tenant the right to lease or sublease any part of the Premises or to assign the Lease to any other person or persons, without prior written consent from the Landlord, which shall not be unreasonably withheld. Any assignment or sublease shall be subject to the following conditions:

(a) In the case of a sublease, the rental fee charged the sub-lessee shall not be more than that amount charged the Tenant by the Landlord, plus an amount approved by Landlord to compensate the Tenant for the use of any pumps, pipe, irrigation equipment, fixtures, fences, trees, and other improvements purchased, constructed or placed by the Tenant on any part of the Property at any time during the term of this Lease (the “Improvements”).

(b) In the event that Tenant wishes to assign its interest in the Premises and sell the Improvements, Tenant shall notify Landlord in writing of such wish (the “Intent-to-Sell Notice”) not less than three (3) months prior to the proposed assignment date. Such

Notice shall include a statement as to whom the Tenant intends to assign the Lease and sell the Improvements.

9. Real Property and Water District Taxes and Assessments; Water Costs. All real estate taxes, assessments or similar levies of any kind and all water district taxes, assessments or similar levies of any kind levied against the Property at the inception date of this Lease and assessed or falling due during the Lease Term shall be paid by Tenant. All such taxes, assessments or similar levies shall be pro-rated for Tenant's period of occupancy. All taxes and assessments assessed against or attributable to improvements placed upon the Property by the Tenant and Tenant's personal property on the Property shall be paid by Tenant. The cost of water, together with any water standby or other charges, necessary for the adequate and proper irrigation of crops grown on the Property shall be borne by Tenant.

10. Utilities. Tenant shall pay for all charges for power and all other services and utilities supplied to the Property during the Lease Term.

11. Water Supply. The use of any and all Irrigation Company facilities serving the Property, and any allocations of irrigation water from the Irrigation Company to which the Property might be entitled during the Term of this Lease, are hereby allocated to Tenant for the Term of this Lease.

12. Compliance with Laws; Waste.

(a) Compliance with Laws. Tenant shall not do or suffer to be done on or about the Property, anything that would or does violate or conflict with any law, ordinance, rule or regulation now in force or effect, or that may hereinafter be enacted, promulgated or adopted by federal, state or local authority.

(b) Waste. Tenant shall not commit or suffer to be committed any waste on the Property provided that, the use or application of reclaimed water, treated wastewater effluent, pesticides, herbicides, sprays or other materials on the Property or on any crops, in accordance with federal, state or county laws and regulations, shall not constitute waste. Tenant shall not maintain any nuisance on the Property, and shall not use the Property for any unlawful purposes.

13. Environmental Indemnity and Covenants.

(a) Landlord's Representations and Warranties. Landlord represents and warrants that any handling, transportation, storage, treatment or usage of Hazardous Substances (as defined in subparagraph (f) below) that has occurred on the Property during the period of its ownership has been in compliance with all Environmental Requirements (as defined in subsection (e) below). Landlord further represents and warrants that, to the best of its knowledge and belief, and except as otherwise disclosed to Tenant in writing, any currently known Hazardous Substances which might be present

above, on, or beneath the Property do not exceed those concentrations which would violate current applicable laws and regulations.

(b) Landlord's Indemnity of Tenant. Landlord hereby agrees to indemnify and hold harmless Tenant from and against, any and all losses, costs, claims, or damages to the Property or suffered by Tenant resulting from use, generation, manufacture, production, storage, release, discharge, or disposal of Hazardous Substances (as defined in subsection (f) below) on, under, or about the Property which are caused by Landlord or occurred prior to the commencement of this Lease.

Further, Landlord assumes all liabilities for any clean-up, remediation, and/or restoration costs which result from such use, generation, manufacture, production, storage, release, discharge, or disposal of Hazardous Substances.

(c) Tenant's Indemnity of Landlord. Tenant hereby agrees to indemnify and hold harmless Landlord from and against, any and all losses, costs, claims, or damages to the Property or suffered by Landlord resulting from use, generation, manufacture, production, storage, release, discharge, or disposal of Hazardous Substances (as defined in subsection (f) below) on, under, or about the Property which are caused by Tenant or occurred during the term of this Lease, other than caused by Landlord. Further, Tenant assumes all liabilities for any clean-up, remediation, and/or restoration costs which result from such use, generation, manufacture, production, storage, release, discharge, or disposal of Hazardous Substances.

(d) Covenants Regarding Use. Tenant covenants that during the Lease Term it will not use, generate, manufacture, produce, store, release, discharge, or dispose of on, under or about the Property or transport to or from the Property any Hazardous Substances (as defined in subsection (f) below).

(e) "Environmental Requirements" Defined. "Environmental Requirements" means all applicable present statutes, regulations, rules, ordinances, codes, licenses, permits, orders, approvals, plans, authorizations, concessions, franchises, and similar items, of all governmental agencies, departments, commissions, boards, bureaus, or instrumentalities of the United States, states or political subdivisions thereof and all applicable judicial, administrative, and regulatory decrees, judgments, and orders relating to the protection of human health or the environment, including, without limitation, all requirements, including, but not limited to, those pertaining to reporting, licensing, permitting, investigation, and remediation of emissions, discharges, releases, or threatened releases of "Hazardous Substances," chemical substances, pollutants, contaminants or hazardous or toxic substances, materials or wastes whether solid, liquid, or gaseous in nature, into the air, surface water, groundwater, or land, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of chemical substances, materials, or wastes, whether solid, liquid, or gaseous in nature.

(f) “Hazardous Substances” Defined. The term “Hazardous Substances” shall include: (i) those substances included within the definitions of “Hazardous Substances,” “Hazardous Materials,” “Toxic Substances” or “Solid Waste” in CERCLA (42 U.S.C. 9601 et seq.), RCRA (42 U.S.C. 6901 et seq.) and the Hazardous Materials Transportation Act (49 U.S.C. Sections 1801 et seq.), TSCA (15 U.S.C. (S) 2601 et seq.) and in the regulations promulgated pursuant to said laws; (ii) those substances defined as hazardous wastes in any applicable law of the state of Montana and in the regulations promulgated pursuant to said laws; (iii) those substances listed in the United States Department of Transportation Table of Hazardous Materials (49 CFR 172.101 and amendments thereto) or by the Environmental Protection Agency (or any successor agency) as hazardous substances (40 CFR Part 302 and amendments thereto); (iv) such other substances, materials and wastes which are or become regulated under applicable local, state or federal law, or which are classified as hazardous or toxic under federal, state, or local laws or regulations; and (v) any material, waste or substance which is petroleum, asbestos, polychlorinated biphenyls, flammable explosives, or radioactive materials. Any reference herein to statutory or regulatory sections shall be deemed to include any amendments thereto and any successor sections. “Hazardous Substances” shall also include any substance the presence of which requires investigation or remediation under any federal, state or local statute, regulation, ordinance, order, action or policy. Notwithstanding the foregoing definition of Hazardous Substances in this subsection (f), Hazardous Substances shall not include: (i) petroleum, gasoline or diesel fuel, propane or natural gas used to operate motor vehicles or farm machinery or equipment; and (ii) Hazardous Substances used in the production of agricultural crops on the Property or activities related thereto, which are commonly used for such purposes in the vicinity of the Property, and which are used in compliance with applicable laws.

14. Concerning the Property. Landlord represents and warrants to Tenant that it is the sole and lawful record and beneficial owner of the Property and that it has the full authority to enter into this Lease and perform as herein contemplated.

15. Indemnity and Insurance.

(a) Indemnity of Landlord. Except as otherwise provided in this Lease, Tenant shall indemnify, defend, and hold Landlord, Landlord’s agents or representatives, and Landlord’s property harmless from and against all claims, losses, damages, liabilities and expenses (including legal fees) arising from personal injury or physical damage to any person or property occurring on the Property and caused by Tenant, Tenant’s employees, agents or representatives, or due to Tenant’s operations on the Property during the Lease Term.

(b) Indemnity of Tenant. Landlord shall indemnify, defend and hold Tenant harmless from all claims, losses, damages, liabilities and expenses (including legal fees) arising from or relating to (i) the negligence or willful misconduct of Landlord or Landlord’s agents or representatives, or (ii) any condition on, of or affecting the Property on or prior to the date of execution and delivery of this Lease.

(c) Insurance. Tenant shall, at Tenant's sole expense, keep and maintain in full force during the term hereof, (i) worker's compensation insurance as may be from time to time required under applicable federal and state law, and (ii) Commercial General Liability Insurance with limits of not less than \$1,000,000 general aggregate, \$500,000 per occurrence.

16. Ownership of Improvements; Disposition of Improvements upon Expiration of Lease Term.

(a) Landlord and Tenant agree that all Improvements located on the Property shall be property of the Tenant. Title to such Improvements shall be and remain vested in the Tenant. However, Tenant's exercise of the rights of ownership of the Improvements is subject to the provisions of this Lease, including but not limited to provisions regarding the disposition of Improvements by the Tenant and the Landlord's option to require removal of the Improvements upon expiration of the Lease term.

(b) Upon expiration of the term of this Lease as such term may be extended or sooner terminated in accordance with this Lease, Tenant shall surrender all Improvements together with the Property to the Landlord. Ownership of the Improvements shall thereupon revert to Landlord, provided, however, that the Landlord may within three (3) months prior to the expiration of the term of this Lease, notify the Tenant that it must remove at Tenant's expense any and all Improvements specified by the Landlord in this notice (the "Notice of Removal of Improvements"), including but not limited to trees, tree stumps, tree roots, fences, structures, pipes and irrigation equipment, and restore the Property to its original condition as cleared agricultural land. Tenant agrees to comply prior to the end of the Lease term with the Landlord's Notice of Removal of Improvements. Notwithstanding the generality of the foregoing, Tenant may remove from the premises prior to the expiration of the Lease any property of the Tenant that the Tenant has installed on the Property.

(c) During the Extended Lease Terms Tenant shall maintain a Removal of Improvements performance bond (the "Performance Bond") of Fifty Thousand and No/100 Dollars (\$50,000.00) to ensure compliance with subsection (b) above. In the event of failure to comply with the Notice of Removal of Improvements the Performance Bond shall be forfeited to Landlord.

17. Surrender of Premises. Immediately upon the expiration or earlier termination of this Lease, Tenant shall surrender possession of the Premises to the then current owner of the Premises.

18. Right of Entry. The Landlord reserves the right to enter the Property at any time and for any reason.

19. Default. The failure by Tenant to observe or perform any covenant, condition or provision of this Lease to be observed or performed by Tenant, where such failure continues for a period of thirty (30) days after written notice from Landlord to Tenant

shall constitute a default under this Lease by Tenant. If a default occurs, Landlord shall have the right to take possession Premises or relet the Premises.

20. Waiver and Modification. This Lease may be amended or supplemented only by a written instrument signed by the parties hereto.

21. Severability. In the event any provision of this Lease shall be held by any court of competent jurisdiction to be illegal, invalid or unenforceable for any reason, the remaining provisions of this Lease shall nonetheless remain in full force and effect.

22. Construction of Lease. The section headings in this Lease have been inserted for convenience only, and shall not be considered or referred to in resolving questions of interpretation or construction. In determining the meaning of, or resolving any ambiguity with respect to, any provision of this Lease, such provision shall be interpreted without construing such provision in favor of or against the party responsible for drafting this document.

23. Further Assurances. Tenant and Landlord shall, at their own expense, execute, acknowledge and deliver all instruments and documents and take all actions as may reasonably be required in order to carry out the intent of, and the transactions contemplated by, this Lease.

24. Arbitration. If parties to this Lease cannot reach an agreement on any matter, or problem, the question shall be submitted to an Arbitration Committee for decision. This committee shall be composed of three disinterested persons, one selected by each party hereto and the third by the two thus selected. The decision of the Arbitration Committee shall be accepted by both parties.

25. Amendments and Alterations. Amendments and alterations to this lease shall be in writing and shall be signed by both the Landlord and Tenant.

26. Legal Fees. In any action or proceeding by either party to enforce this Lease or any provisions thereof, the prevailing party shall be entitled to all costs and reasonable legal, paralegal and other professional fees. Any and all legal fees to which Tenant is entitled under this Lease shall include legal fees for in-house counsel.

27. Notices. Any notice to be given to either party by the other shall be in writing and deemed served on the date of delivery if hand delivered to the person to whom notice is to be given, and on the third (3rd) day after mailing if sent by certified mail, with postage prepaid and return receipt requested, and addressed as follows:

Landlord:

Harvey and Mitzie Clouse
4405 Mullan Road
Missoula, MT 59808

Tenant:

Tom Platt
Hybrid Energy Group, LLC
101 E. Broadway, Suite 415
Missoula, Montana 59802

With a copy to:

City of Missoula, Montana
435 Ryman Street
Missoula, Montana 59802

28. Binding Effect. The provisions of this Lease shall benefit and bind the heirs, successors, executors, administrators and assigns of all parties to this lease.

29. Time. Time is of the essence of this Lease.

30. Entire Agreement. This Lease constitutes the entire agreement between the parties pertaining to the lease of the Premises, and supersedes all prior and contemporaneous agreements, representations, and understandings of the parties with regard thereto. No supplement, modification or amendment of this Lease shall be binding unless executed in writing by all of the parties hereto.

31. Relationship Limited. It is expressly understood and agreed that the relationship of Landlord and Tenant is one of Landlord and Tenant and not one of partnership or joint venture, and that Landlord shall not become responsible for any debt or obligation contracted or incurred by Tenant nor shall Tenant become responsible for any debt or obligation contracted or incurred by Landlord.

32. Authority. Each party represents and warrants to the other that (i) such party has the requisite legal capacity and authority to enter into and fully perform each and all of their obligations under this Lease, and (ii) this Lease does not in any way violate any covenant, contract, agreement, instrument or understanding by which such party is bound.

33. Recordation. The parties agree that Tenant may, during the term of this Lease, record a memorandum of this Lease.

IN WITNESS WHEREOF, the parties hereto have executed this 13 page Lease as of the year and day first written above.

EXECUTED as of _____.

LANDLORD:

HARVEY and MITZIE CLOUSE

By: _____
Harvey Clouse

By: _____
Mitzie Clouse

STATE OF MONTANA)
: SS
County of Missoula)

On this _____ day of _____, 20____, A.D., before me, the undersigned, a Notary Public for the State of Montana, personally appeared _____, known to me to be the person(s) who executed the within instrument and acknowledged to me that they signed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Notarial Seal the day and year in this certificate first written above.

(NOTARY SEAL)

NOTARY PUBLIC for the State of Montana
Residing at _____
My Commission Expires: _____

TENANT:

HYBRID ENERGY GROUP, LLC,
a Colorado limited liability company

By: _____
Thomas M. Platt
Vice President
Hybrid Energy Group, LLC

STATE OF MONTANA)
 : SS
County of Missoula)

On this _____ day of _____, 20____, A.D., before me, the undersigned, a
Notary Public for the State of Montana, personally appeared _____
_____, known to me to be the person(s)
who executed the within instrument and acknowledged to me that they signed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Notarial Seal the
day and year in this certificate first written above.

(NOTARY SEAL)

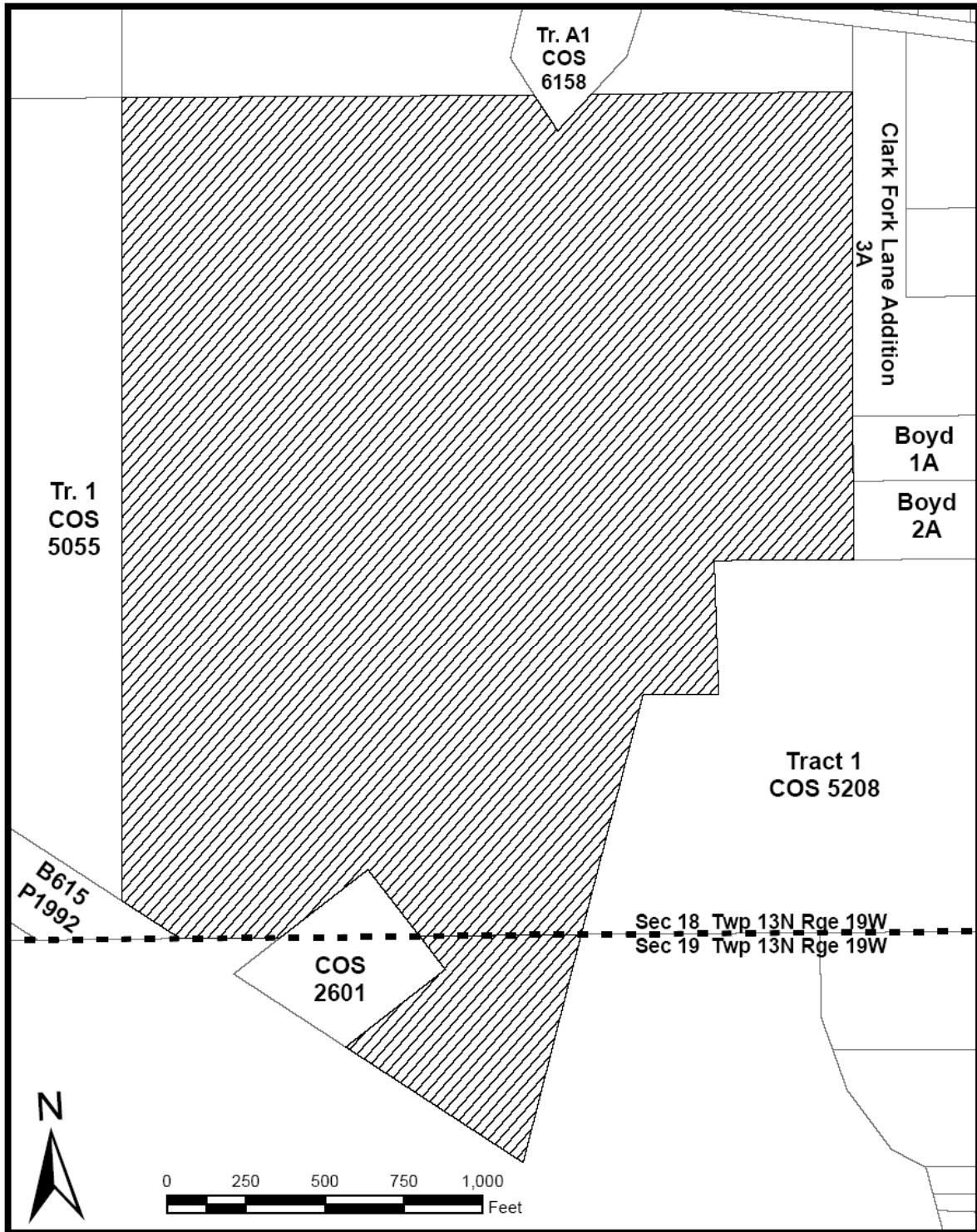
NOTARY PUBLIC for the State of Montana
Residing at _____
My Commission Expires: _____

Exhibit A

DESCRIPTION OF PROPERTY

A parcel or tract of land being the remainder of that real property described in Book 18 Micro Page 1292 located in the South 1/2 of Section 18 and the North 1/2 of Section 19 all in Township 13 North, Range 19 West, P.M.M., Missoula County, Montana and being more particularly described as follows and shown on attached map Exhibit A:

Beginning at a point on the west line of Lot 3A, Clark Fork Lane Subdivision, Lot 3A (Book 23 Plats Page 82, recorded July 19, 2000); Thence southerly along the west line of said Lot 3A and the west line of Boyd Addition, Lots 1A & 2A (Book 23 Plats Page 81 recorded July 19, 2000) to the southwest corner of Lot 2A of said Boyd Addition, Lots 1A & 2A same being on the north line of Tract 1, Certificate of Survey No. 5208 (recorded October 11, 2001); Thence westerly and southerly along the north and west lines of said Tract 1 to the southwest corner of said Tract 1 also being on the south line of Section 18, Township 13 North, Range 19 West, P.M.M.; Thence continuing southwestwardly along the extension of said west line of said Tract 1, Certificate of Survey No. 5208 approximately 744 feet to its intersection with the southeasterly extension of the southwest line of Certificate of Survey No. 2601 (recorded May 13, 1981); Thence northwesterly along said southeasterly extension of the southwest line approximately 670 feet to the most southerly corner of said Certificate of Survey No. 2601; Thence northeasterly along the southeasterly line of said Certificate of Survey No. 2601 to the most easterly corner of said Certificate of Survey No. 2601; Thence northwesterly along the northeasterly line of said Certificate of Survey No. 2601 to the most northerly corner of said Certificate of Survey No. 2601; Thence southwestwardly along the northwesterly line of said Certificate of Survey No. 2601 to said south line of Section 18; Thence westerly along said south line to the northeasterly line of Parcel III as described in Book 615 Micro Page 1992 (recorded May 11, 2000); Thence northwesterly along said northeasterly line to the southeast corner of Tract 1, Certificate of Survey No. 5055 (recorded May 30, 2000); Thence northerly along the west line of said Tract 1 to the north line of the N1/2 of said Section 18; Thence easterly along said north line to the westerly line of Tract A1, Certificate of Survey No. 6158 (recorded June 3, 2009); Thence southeasterly along said westerly line to the most southerly corner of said Tract A1; Thence northeasterly along the easterly line of said Tract A1 to said north line of the N1/2 of said Section 18; Thence easterly along said north line to the point of beginning, containing approximately 129 acres.



WWTP Poplar Project Area

EXHIBIT A