

SPECIAL USE LEASE AGREEMENT NO. 702

Fund: School

The STATE OF UTAH, acting by and through the DIVISION OF STATE LANDS & FORESTRY, LESSOR, hereby leases to Michael E. Hill, 1975 Murphy Lane, Moab, UT 84532, LESSEE, the following described tract of State land in Grand County, Utah, to-wit:

T26S, R22E . SLB&M Grand Co.
Sec. 6: Lots 1 & 2

Containing 80.00 acres, more or less

TO HAVE AND TO HOLD for a term of Forty Nine (49) years, beginning as of May 1, 1987, subject to any and all existing valid rights in said land and subject also to the following terms and conditions. LESSOR and LESSEE enter into this Special Use Lease Agreement for the purpose that LESSEE develop the land in the manner hereinafter described and consistent with the principles and objectives of land development expressed and implicit in the Enabling Act of Utah (Act of July 16, 1894, Ch. 138, 28 Stat. 107) and Article X of the Constitution of the State of Utah.

1. The subject tract shall be used by LESSEE for the purpose of developing a commercial facility including: convention center, overnight room accommodations, health spa, greenhouses, restaurant, and lounge . All improvements constructed on the subject tract shall comply with the applicable provisions of the Uniform Building Code, Current Edition, International Conference of Building Officials.

2. LESSEE shall pay, to the LESSOR as rental, for the subject tract the sum of One Thousand Two Hundred Dollars (\$1200.00) per year, or an amount equal to 1-1/2% of the gross receipts, whichever is greater. Failure to pay the rental for a period of one month from the date such rent is due, and upon expiration of a written notice from LESSOR to LESSEE requiring performance within thirty (30) days, shall work a forfeiture of this lease.

For the purpose of this Paragraph 2, the term "gross receipts" is hereby defined to mean receipts from gross sales of all business conducted upon the subject tract whether such sales be evidenced by check, credit, charge account, exchange or otherwise, and shall include, but not be limited to, the amounts received from the sale of goods, wares and merchandise and for services performed on or at the subject tract, together with the amount of all orders taken or received at the subject tract. Gross sales shall not include sales of merchandise for which cash has been refunded, or allowances made on merchandise claimed to be defective or unsatisfactory. Gross returns shall not include the amount of any sales, use or gross receipts tax imposed by any federal, state, municipal or governmental authority directly on sales and collected from customers, provided that the amount thereof is added to the selling price or absorbed therein and that the taxes are paid by the commercial establishment to such governmental authority.

3. LESSEE agrees that the annual rentals provided for in Paragraph 2 shall be adjusted at the end of the first five (5) year period, and every three (3) years thereafter as LESSOR shall deem to be reasonably necessary in the best interest of the State.

LESSEE also agrees that at the end of five (5) years from the date of this lease, and, if necessary, for each two (2) year period thereafter, LESSEE has not developed the land as proposed in Paragraph (1), LESSEE shall then be required to appear before the Board of State Lands and show that it has exercised due diligence toward development of the land. If LESSEE fails to show due diligence, then LESSEE agrees that LESSOR may at its option, terminate this lease agreement as to any or all the land leased hereunder. In the event LESSOR so terminates, LESSEE's interest in the land shall revert to the State.

4. LESSEE, in exercising the privileges granted by this lease, shall comply with the provisions of all valid Federal, State, County, and Municipal laws, ordinances, and regulations which are applicable to the subject tract and operations covered by this lease.

5. The acquisition or assumption by another party under an agreement with the LESSEE of any right or obligation of the LESSEE under this lease shall be ineffective as to the LESSOR unless and until LESSOR shall have been notified of such agreement and shall have recognized and approved the same in writing, and in no case shall such recognition or approval: (i) operate to relieve the LESSEE of the responsibilities or liabilities assumed to LESSOR as hereunder: or (ii) be given unless such other party is acceptable to

LESSOR as a lessee, and assumes in writing all of the obligations of the LESSEE under the terms of this lease as to the balance of the term thereof, or acquires the rights in trust as security and subject to such conditions as may be necessary for protection of the public interests.

6. LESSEE shall be bound by all of the provisions, conditions, and prohibitions of Chapter 14 of Title 73, Utah Code Annotated (1953) as amended. No waste or by-products shall be discharged which contain any substance in concentrations which will result in substantial harm to fish and wildlife, or to human water supplies. Storage facilities for materials capable of causing water pollution, if accidentally discharged, shall be located so as to prevent any spillage into waters, or channels leading into water, that would result in substantial harm to fish and wildlife or to human water supplies.

7. LESSEE shall take reasonable precautions to protect, in place, all public land survey monuments and private property corners.

8. LESSEE agrees to permit LESSOR free and unrestricted access to and upon the subject tract at all reasonable times for all lawful and proper purposes not inconsistent with the intent of this lease or with the reasonable exercise and enjoyment by the LESSEE of the rights and privileges granted herein.

9. It is hereby understood and agreed that all treasure-trove and all articles of antiquity in or upon the subject lands are and shall remain the property of the State of Utah. LESSEE shall report any discovery of a "site" or "specimen" to the Division of State History in compliance with the provisions of Section 63-18-27, Utah Code Annotated (1953), as amended.

10. This lease may be terminated by LESSOR upon breach of any conditions hereof. If LESSOR determines that the LESSEE, its assigns or successors in interest have breached any conditions of this lease, LESSOR shall notify the breaching party (parties) in writing by certified mail, return receipt requested, specifying the particular breach. The breaching party (parties) shall have thirty (30) days from the date of such notice, or such longer period as may be required under the circumstances as approved by the Division to correct such breach. If breaching party (parties) fails (fail) to correct such breach within such period, LESSOR may terminate this lease upon thirty (30) days notice; provided, however, such termination shall not release breaching party (parties) from liability for damage prior to such termination.

11. This lease is made pursuant to the provisions of all applicable laws and subject to the rules and regulations of the departments and agencies of the State of Utah presently in effect and to such laws, rules and regulations as may be hereafter promulgated by the State.

12. LESSEE shall permit any authorized representative of the LESSOR to examine all books and records pertaining to its operations and royalties payable to LESSOR under the lease at their regular place of business with reasonable notice, and to make copies of and extracts from such books and records if desired.

13. LESSEE shall neither commit nor permit any waste on the said leased lands. LESSEE shall maintain said lands in good condition and at its own expense, free from any nuisance, Surface areas will be cleaned of all trash and debris to the satisfaction of the LESSOR. LESSEE shall maintain the leased premises to standards of repair, orderliness, neatness, sanitation, and safety as required by law and applicable regulations.

14. LESSEE shall have the right to remove any improvements and any personal property placed on the lands by LESSEE, provided that the same shall be removed within sixty (60) days after the expiration of the term of this lease, provided that the LESSEE shall properly restore any damage caused thereby to the subject tract or any improvements remaining thereof; provided further, that LESSOR shall also have the right to retain without compensation to LESSEE, but with costs of removal and disposal chargeable to LESSEE, those improvements and items of personal property left upon the leased premises beyond sixty (60) days after the expiration of this lease,

15. LESSEE assumes liability for and agrees to indemnify LESSOR for and against any and all liability, including attorney's fees, of any nature imposed upon, incurred by, or asserted against LESSOR which in any way relates to or arises out of the activity or presence upon the premises of LESSEE, its servants, employees, agents, sublessees, assignees or invitees.

16. LESSEE shall not assign this lease, in whole or in part, nor sublease the leased premises, nor allow unauthorized or commercial use of the premises without obtaining the prior written consent of LESSOR.

17. LESSOR expressly reserves the right to lease said lands to third parties for mineral exploration and/or development purposes together with the right to grant the mineral lessee reasonable access by ingress and egress to and from the mineral estate through the surface estate in connection with mineral exploration and/or development, but without damage to improvements made by LESSEE.

18. LESSOR claims title in fee simple, but does not warrant to LESSEE the validity of title to the leased premises. LESSEE shall have no claim from damages or refund against the LESSOR for any claimed failure or deficiency of LESSOR's title to said lands or for interference by any third party.

19. If LESSEE shall initiate or establish any water rights on the leased premises, such right shall become an appurtenance of the leased premises. LESSEE agrees that any existing application to appropriate water on said State land shall be transferred to the Division of State Lands after the application has been completed, without any cost to the State. It is expressly understood and agreed that this lease does not confer any rights upon LESSEE to use any water presently developed on the subject lands.

20. LESSEE shall at all times observe reasonable precautions to prevent fire on the leased premises and shall comply with all applicable laws and regulations of any governmental agency having jurisdiction. In the event of a fire on the leased premises proximately caused by LESSEE, its servants, employees, agents, sublessees, assignees or licensees which necessitates suppression action by the State Forester, LESSEE agrees to reimburse LESSOR for the cost of such fire suppression action.

21. LESSEE shall comply with any and all valid sanitation and pollution regulations prescribed by any governmental agency having jurisdiction; and the LESSEE agrees to indemnify LESSOR for any damage which LESSOR may suffer which arises out of the improper or unlawful disposal of refuse associated with said land.

22. LESSEE may fence the leased premises at his own expense, but if there is no fence erected, LESSEE shall have no right of action against any other State grazing permittee by reason of a trespass upon the leased premises.

23. In the event of any breach of this agreement, the party at fault shall pay all costs of enforcing the same, including reasonable attorney's fees.

24. Any notice contemplated herein to be served upon LESSEE shall be in writing and shall be deemed sufficient if deposited in the United State mail, postage prepaid and certified or registered, and addressed as follows:

Michael E. Hill
1975 Murphy Lane
Moab UT 84532

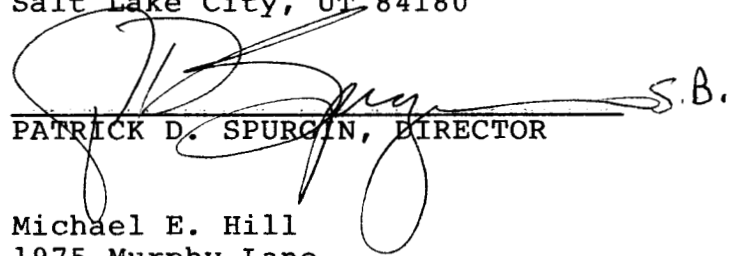
or at any such other address as LESSEE may from time to time designate by written notice to LESSOR.

25. The provisions hereof shall inure to and be binding upon the successors and assigns of LESSEE.

26. IN WITNESS WHEREOF, the State of Utah, by and through the Board and Division of State Lands and Forestry, has caused these presents to be executed this 28th day of August, 1989 by the Director.

LESSOR: STATE OF UTAH
DIVISION OF STATE LANDS AND FORESTRY
355 West North Temple
3 Triad Center, Suite 400
Salt Lake City, UT 84180

By:

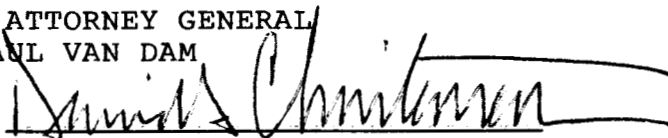

PATRICK D. SPURGIN, DIRECTOR S.B.

LESSEE: Michael E. Hill
1975 Murphy Lane
Moab, UT 84532

By: Michael E. Hill

APPROVED AS TO FORM:
UTAH ATTORNEY GENERAL
R. PAUL VAN DAM

BY:



27.

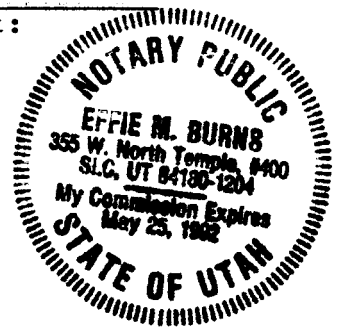
STATE OF UTAH)
 : ss.
COUNTY OF SALT LAKE)

On the 28th day of August, 1989 personally appeared before me Patrick D. Spurgin, who being by me duly sworn did say that he is the Director of the Division of State Lands and Forestry of the State of Utah and the signer of the above instrument, who duly acknowledged that he executed the same.

Given under my hand and seal this 28th of August, 1989.

Effie M. Burns
Notary Public, residing at:

My Commission Expires: 5-25-92



STATE OF UTAH)
 : ss
COUNTY OF Grand)

On the 15th day of August, 1989, personally appeared before me MICHAEL E. HILL who being by me duly sworn did say that he acknowledged to me that he executed the same.

Given under my hand and seal this 15th day of August, 1989.

X Jeanne Kleinke
Notary Public, residing at:

My Commission Expires

