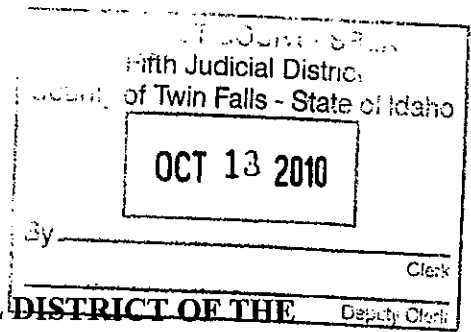




IN THE DISTRICT COURT OF THE FIFTH JUDICIAL DISTRICT OF THE
STATE OF IDAHO, IN AND FOR THE COUNTY OF TWIN FALLS

In Re SRBA) Subcases 75-4, 75-5, 75-7, 75-17A, 75-17B, 75-
Case No. 39576) 17D, 75-19B, 75-19C, 75-19E, 75-19G, 75-21, 75-
22, 75-26A, 75-114, 75-10075, 75-10076 and 75-
14465
)
) SETTLEMENT CONFERENCE REPORT
)

A mandatory settlement conference was held in the above-captioned subcases on October 7, 2010, at the Idaho Department of Water Resources' Eastern Region Office in Idaho Falls, Idaho. The settlement moderator was Theodore R. Booth. A sign-in list of the persons who participated in the settlement conference is attached hereto as **Exhibit A**. The above-captioned subcases involve water right claims from Jesse Creek and its tributaries Pollard Canyon Creek and Chipps Creek located in Lemhi County, Idaho.

The conference began with counsel for Edwards and counsel for the Idaho Arrowhead Water District ("Arrowhead") informing the settlement moderator that the two respective parties had settled in principle with respect to the Edwards' *Objections* to Arrowhead's water right claims. In summary, Edwards would agree to withdraw their *Objections* to Arrowhead's water right numbers 75-00005, 75-00022 and 75-14465 and permit these water rights to be partially decreed as recommended with certain specified changes identified and set forth in a letter between the parties dated September 20, 2010.

The parties then addressed Edwards' and Arrowhead's *Objections* to the City of Salmon's water rights. The City commenced the discussions by identifying eight issues raised by Edwards' and Arrowhead's *Objections* to its rights and setting forth detailed proposed resolutions to each issue. All eight issues and proposed resolutions were discussed at length by the parties.

The parties determined that the most likely resolution to the *Objections* lodged by Edwards and Arrowhead to the City's claims would be to draft and agree to a "side agreement" which would be entered into by the City, Edwards and Arrowhead, and

which would be expressly referenced in the City's water rights. The side agreement would identify those instances in which the City would subordinate its rights to in priority diversions of Arrowhead and Edwards from Chipps and Pollard Creek and/or those instances in which the City would agree not to make a delivery call that would restrict in priority diversions of Arrowhead and Edwards from Chipps and Pollard Canyon Creek. The parties also discussed a total combined annual volume which, as between the parties, would limit the City's total diversions in times of shortage.

The parties did not reduce the above-mentioned discussions to writing at the settlement conference. However, counsel for the City of Salmon agreed to reduce the parties' discussions to writing in the form of a draft settlement agreement (i.e., a draft side agreement) and circulate the same to the parties' respective counsels. The parties also agreed to include in the side agreement the terms agreed to in principle by Edwards and Arrowhead to resolve the Edwards' *Objections* to Arrowhead's water right claims. At such time as the side agreement is reduced to writing and reviewed, it is contemplated that the same will be presented to Edwards, the City of Salmon City Council and the Arrowhead Board for consideration and approval.

As part of the settlement discussions, it was determined that Arrowhead would be filing an amended claim for one of its claims and that the City of Salmon's late claim, which was granted by the Court in September, would need time to proceed to decree. It is the understanding of the settlement moderator that trial is presently set for the above-mentioned subcases for December 28, 2010. It is recommended that a status conference be set in the above-captioned subcases prior to the time set for trial to ascertain the status of the draft settlement agreement and to determine whether the present trial date will need to be vacated and/or reset to accommodate the above-mentioned late claim and amended claim.

DATED this 13th day of October, 2010.


THEODORE R. BOOTH
Settlement Moderator
Snake River Basin Adjudication

Settlement Conference
10/07/2010

Name

Dale Edwards	
Laura Edwards	
Randy Budge	Attorney for Edwards
Garrick Barker	Attorney for IDWR
Monica Van Bussum	IDWR
Norm Young	ERO, City of Salmon
John Miller	Mayor Salmon - City of Salmon
Mickey Vekbeck	City of Salmon
Jo Beerman	attorney for City of Salmon
Gary Leasinga	Arrowhead Water Dist.
Jeff & Rigby	ATTY for Arrowhead
Ted Booth	SRBA - Settlement Moderator
Paul Harrington	SABA

Exhibit A