

WATER SUPPLY BANK LEASE CONTRACT No. 643

This Lease Contract ("**Lease**") is between the Idaho Water Resource Board ("**Board**"), and

RECEIVED

SEP 25 2017

DEPARTMENT OF
WATER RESOURCES

LESSOR: YOUNG FARMS LLC
1250 NE LOOP 410 STE 300
SAN ANTONIO, TX 78209

RECITALS

1. The Board is authorized under chapter 17, title 42, Idaho Code to operate a water supply bank and to contract with lessors to act as an intermediary in facilitating the rental of water.
2. The Lessor has filed a completed application to lease water rights described below into the Water Supply Bank on forms supplied by the Idaho Department of Water Resources and received by the Department on May 18, 2017.
3. The Director of the Idaho Department of Water Resources has reviewed the application for compliance with the Water Supply Bank rules and has approved the Lease subject to conditions listed below.

NOW, THEREFORE, in consideration of the mutual covenants and contracts herein contained, and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto agree as follows:

1. **WATER RIGHTS:** The Lessor shall lease and the Board shall accept into the Bank the Applicant's water rights described as follows:

Summary of Water Rights or Portions Leased to the Bank

Water Right No.	Priority Date	Source	Diversion Rate (CFS)	Diversion Volume (AF)	Acres (AC)
36-7042	10/15/1968	GROUND WATER	0.79	196.0	49.0
Combined Lease Totals			0.79	196.0	49.0

2. **COMPENSATION:** The Lessor shall accept and the Board shall pay compensation determined by the amount of water rented under the following rental rate during such times as the water is rented from the Bank over the term of this Lease.

Minimum Payment Acceptable: Current Rental Rate

3. **TERM OF LEASE:** The term of this lease shall be January 1, 2017 to December 31, 2017. This Lease shall bind the parties and take effect when both parties have signed it.
4. **WATER SUPPLY BANK CONDITIONS OF ACCEPTANCE:** The Lessor shall abide by all terms and conditions contained in the Water Supply Bank Conditions of Acceptance, attached hereto as "Attachment A" and incorporated herein by this reference.

LEASE CONTRACT NO. 643

5. **CHANGE OF WATER RIGHT:** This lease specifies water right elements including but not limited to: diversion rates; diversion volumes; number of acres authorized to be irrigated; places of use; points of diversion; beneficial uses; and seasons of use. During the term of this lease, if a water right is administratively changed due to a water right split and renumbering, this lease may be reduced by an equal amount to reflect the water right elements as legally defined under the water right. If a lease contract cannot be reduced sufficient to reflect the legal definition of a water right as amended through a water right split and/or water right transfer, the Board may release the water right from the Water Supply Bank.
6. **ASSIGNMENT OF CONTRACT:** This lease is between the Board and the Lessor, who is the recognized owner or designated representative of the recognized owners of water rights described herein. Should ownership of any part of a water right herein described change during the term of this lease, either through a water right split, a water right transfer, sale of property to which the water right is appurtenant, or through any other recognized water right reassignment, the lease benefits and obligations to the conditions of acceptance for any such water rights will be assigned to the new owners.
7. **DUPLICATE ORIGINAL:** This Lease is executed in duplicate. Each of the documents with an original signature of each party shall be an original.

LEASE CONTRACT NO. 643

IN WITNESS WHEREOF, the parties have executed this Contract on the date following their respective signatures.

LESSOR: YOUNG FARMS LLC

1250 NE LOOP 410 STE 300

SAN ANTONIO, TX 78209

By [Signature]

Title President

Date 9/22/17

IDAHO WATER RESOURCE BOARD

322 East Front Street

P.O. Box 83720

Boise, ID 83720-0098

By [Signature]

Brian Patton, Acting Administrator
Idaho Water Resource Board

Date 9/26/2017

Lease approved by IDWR [Signature]

Date 9-26-2017

**ATTACHMENT A
WATER SUPPLY BANK CONDITIONS OF ACCEPTANCE
FOR LEASE CONTRACT NO. 643**

The water rights or portions thereof leased to the bank are described as follows:

Source and Location of Point(s) of Diversion for Water Right No(s): 36-7042

GROUND WATER	SESWNE	Sec. 12	Twp 07S	Rge 23E	MINIDOKA County
GROUND WATER	NWSWNE	Sec. 7	Twp 07S	Rge 24E	MINIDOKA County

Water Right	Beneficial Use	Season of Use			Diversion Rate (CFS)	Volume (AF)
		From		To		
36-7042	IRRIGATION	04/01	to	10/31	0.79 cfs	196.0 AF
Totals:					0.79 cfs	196.0 AF

PLACES OF USE TO BE IDLED UNDER THIS LEASE: IRRIGATION

Twp	Rng	Sec	NE				NW				SW				SE				Totals
			NE	NW	SW	SE	NE	NW	SW	SE	NE	NW	SW	SE	NE	NW	SW	SE	
07S	23E	12													6.2	4.4	1.0	6.6	18.2
07S	24E	7	8.1		6.2	6.6	5.2			4.7									30.8

Total Acres: 49.0

ADDITIONAL CONDITIONS OF ACCEPTANCE

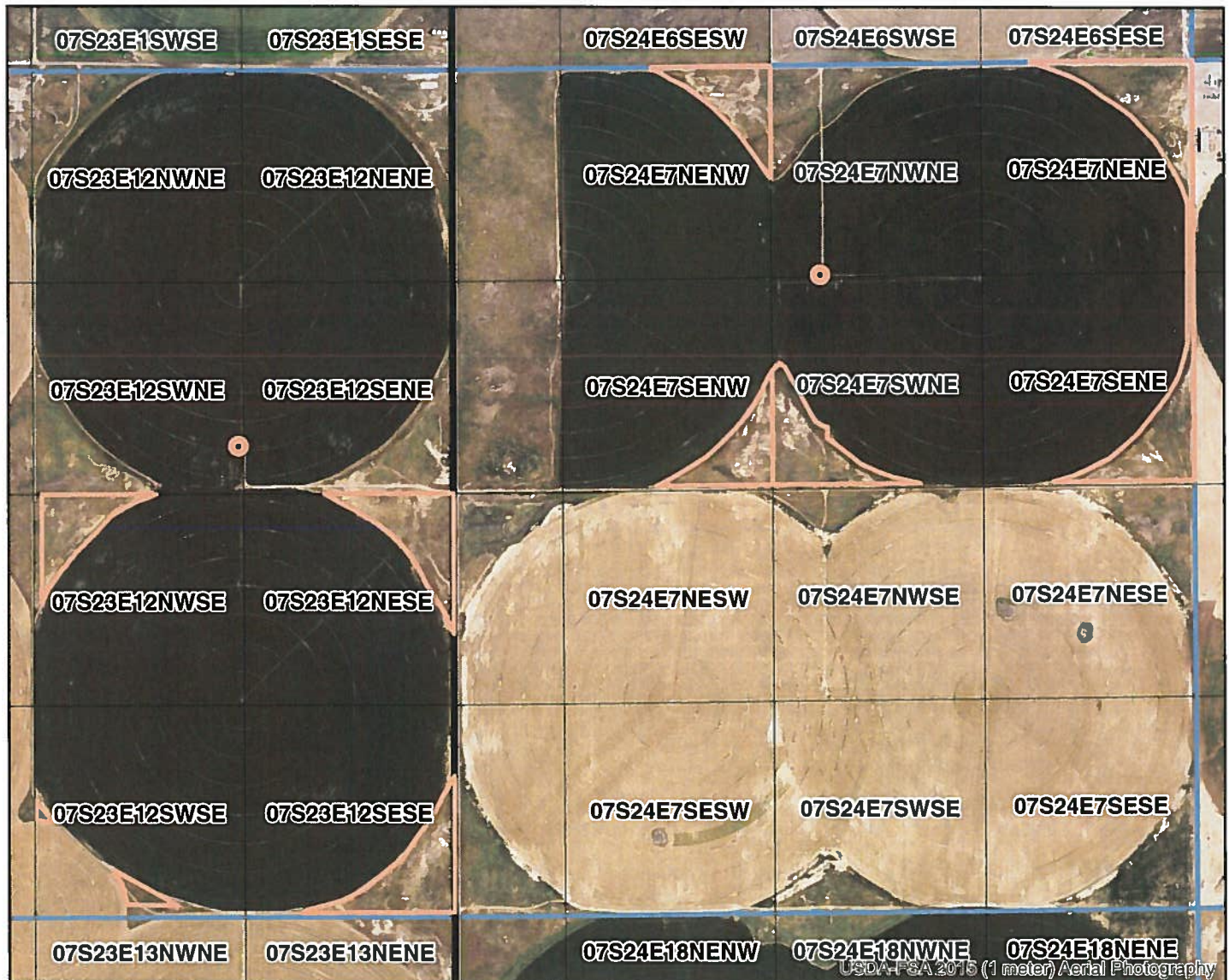
1. The water rights referenced above will be rented from the bank at the current rental rate.
2. There is no rental payment to the lessor of the water right if the right or a part thereof is not rented from the bank.
3. While a right is in the bank, the lessor may not use the right without approval of the Department even if the right is not rented from the bank. Any violation of the terms of this lease may result in enforcement procedures pursuant to Idaho Code § 42-351 for illegal diversion and use of water and may include civil penalties pursuant to Idaho Code § 42-1701B.
4. A right accepted into the bank stays in the bank until the Board releases it, or the lease term expires. A right may be released from the bank upon request, provided the Board approves the release. Unless approved by the Department, leased rights may not be immediately available for release.
5. While a water right is in the bank, forfeiture provisions are stayed pursuant to Idaho Code § 42-223(5).
6. Rental of water under this right is subject to the limitations and conditions of approval of the water right.
7. Failure of the right holder to comply with the conditions of acceptance is cause for the Director to rescind acceptance of the lease.
8. Acceptance of a right into the bank does not, in itself, confirm the validity of the right or any elements of the water right, or improve the status of the right including the notion of resumption of use. It does not preclude the opportunity for review of the validity of this water right in any other Department application process.

9. In accordance with Idaho Code § 42-248 and § 42-1409(6), all owners of water rights are required to notify the Department of any changes in mailing address or change in ownership of all or part of a water right. Notice must be provided within 120 days of the change.
10. If a water right leased into the Water Supply Bank is sold or conveyed during the lease term, and if the leased right was rented, the rental proceeds will be disbursed in the following manner regardless of any arrangements between the buyer(s) and seller(s) to the contrary:
 - a. Rental payments will go to the lessor(s) of record at the beginning of the rental season, even if the Department processes a Notice of Change in Water Right Ownership during the rental season.
 - b. New lessor(s) of record will receive payment for any subsequent rental seasons.
11. The water right(s) is leased to the bank subject to all prior water rights and shall be administered in accordance with Idaho law and applicable rules of the Department of Water Resources.
12. The period of use for the irrigation described in this approval may be extended to a beginning date of 3/15 and an ending date of 11/15 provided that beneficial use of the water can be shown and other elements of the right are not exceeded. The use of water before 4/1 and after 10/31 is subordinate to all water rights having no subordinated early or late irrigation use and a priority date earlier than the date of this approval.
13. The unleased portions of rights 36-7042 and 36-16476 when combined shall not exceed a total diversion rate of 7.26 cfs, a total annual maximum diversion volume of 1890.0 af, and the irrigation of 472.5 acres.
14. Use of water under this right will be regulated by a watermaster with responsibility for the distribution of water among appropriators within a water district. At the time of this approval, this water right is within State Water District No. 130.
15. This right when combined with all other rights shall provide no more than 0.02 cfs per acre nor more than 4.0 afa per acre at the field headgate for irrigation of the lands above.
16. The right holder shall record the quantity of water diverted and annually report diversions of water and/or other pertinent hydrologic and system information as required by Section 42-701, Idaho Code.
17. A lockable device subject to the approval of the Department shall be maintained on the diverting works in a manner that will provide the watermaster suitable control of the diversion.
18. The unleased portion of this right is limited to the irrigation of 266 acres within the place of use described above in a single irrigation season.

Idaho Water Resource Board
Water Supply Bank Lease Contract No. 643

36-7042
Effective until December 31, 2017

This map depicts the **place of use to be idled** pursuant to the lease contract and is attached to the contract solely for illustrative purposes.



○ Approved Lease Point of Diversion

Approved Lease Place of Use

Townships

PLS Sections

Quarter Quarters



0 500 1,000 Feet

STATE OF IDAHO
WATER RESOURCE BOARD

RECEIVED

MAY 18 2017

DEPARTMENT OF
WATER RESOURCES

APPLICATION TO SELL OR LEASE A WATER RIGHT TO THE WATER SUPPLY BANK

Designated Applicant Young Farm, LLC

(Select one owner – see item 1A on the application)

Water Right No. 36-7042

(One water right per application)

Is this application being submitted with a rental application as a lease/rental package?

Yes ☐ No ☒

This application must be prepared in accordance with the minimum requirement checklist below. Use this checklist to ensure all necessary documentation has been provided. This checklist is part of the lease application and must be included with the lease application. Applications that do not meet the minimum requirements will not be processed and may be returned or denied.

MINIMUM REQUIREMENT CHECKLIST

All items must be checked as either *Attached (Yes)* or *Not Applicable (N/A)*

Yes

- ☒ Completed *Application to Sell or Lease a Water Right to the Water Supply Bank*.
- ☒ Application filing fee of \$250.00 per water right. If you are submitting more than one lease application and the water rights have an overlapping, common place of use, or a common diversion rate or volume, the total fee for all water rights is \$500.00. For places of use, multiple water rights must be used to irrigate the same lands in order to qualify for the joint filing fee. Individual filing fees are required for water rights that share a common permissible place of use but which cover separate acres within the permissible place of use.
- ☒ Confirmation this form has been printed **single sided**, per requirement of the Water Supply Bank.

Attachment N/A Yes

- | | | | |
|----|-------------------------------------|-------------------------------------|--|
| 1A | ☐ | ☒ | Signatures and contact information for all owners of the water right to be leased or sold on this application. |
| 1B | ☒ | ☐ | An Internal Revenue Service (IRS) Form W-9 for the Designated Applicant. |
| 1C | ☒ | ☐ | <i>Notice of Change in Water Right Ownership</i> form (accessible from www.idwr.idaho.gov). |
| 1D | ☐ | ☒ | Contact information for an authorized representative and documentary proof they are authorized to represent the Designated Applicant on this application. If the Designated Applicant is a business, partnership, municipality, organization or association, include documents identifying officers authorized to sign or act on behalf of the entity. |
| 2 | ☐ | ☒ | Description of a water right portion offered to the Water Supply Bank. |
| 3 | ☐ | ☒ | A map that clearly outlines the specific location where irrigated acres will be dried up, or where a beneficial use of water will be suspended. You have the option of printing a map using the map tool on IDWR's website at: www.idwr.idaho.gov . |
| 4A | ☒ | ☐ | Written consent from irrigation district or water delivery company. |
| 4G | ☒ | ☐ | Evidence demonstrating the water right has not been forfeited pursuant to Section 42-222(2), Idaho Code . |

Department Use Only

Fee Amount \$ <u>250</u>	Received By: <u>VC</u>	Date Received: <u>5/18/17</u>	Receipt # <u>C103580</u>
W-9 received? Yes ☒ No ☐ (Route W-9 to Fiscal)		Name on W-9: <u>Young Farm</u>	

STATE OF IDAHO
WATER RESOURCE BOARD

APPLICATION TO SELL OR LEASE A WATER RIGHT
(Continued)

1. CONTACT INFORMATION

- A. This application must be completed by a Designated Applicant who is a current owner of the water right being sold or leased to the Water Supply Bank. If there are additional current owners, those individuals must authorize the Designated Applicant to represent them on this application by completing and signing Attachment 1A of this application package.

Designated Applicant Young Farm, LLC

Mailing Address 1250 NE Loop 410, Suite 300, San Antonio, TX 78209

Street City State Zip Code

Email Address rf@goldcrestft.com

Phone Number (208) 960-4199

☒ The Designated Applicant is the sole owner of the water right being sold or leased to the Water Supply Bank.

OR

☐ The Designated Applicant is representing additional water right holders who have completed Attachment 1A.

- B. Has the Designated Applicant submitted an IRS Form W-9 to this Department within the last 2 years? Yes ☒ No ☐
If no, complete the form and attach to this application (Attachment 1B).

- C. Are all applicants on this form listed in IDWR's records as the current owners of the water right? Yes ☒ No ☐
If no, attach a *Notice of Change in Water Right Ownership* form along with the required documentation and fee (Attachment 1C).

- D. Is this application being completed by an authorized representative of the Designated Applicant? Yes ☒ No ☐
If yes, representatives (includes employees of Designated Applicant companies) must complete this section and submit documentary proof of their authority to represent the Designated Applicant (Attachment 1D).

Name of Representative Erick Powell Organization Brockway Engineering, PLLC

Professional Title Engineer Email Address erick.powell@brockwayeng.com

Mailing Address 2016 Washington Street North #4, Twin Falls, ID 83301 Phone Number 208-736-8543

☐ Send all correspondence for this application to the representative and not to the Designated Applicant.

OR

☒ Send original correspondence to the Designated Applicant and copies to the representative.

2. DESCRIPTION OF WATER RIGHT OFFERED TO THE BANK

☐ The full water right is being offered to the Bank.

OR

☒ A part of the water right is being offered to the Bank.

If a portion of the water right is being offered, complete Attachment 2.

3. MAP

Attach a map of the point(s) of diversion and place(s) of use proposed to be idled by this lease application. Make sure the idled place of use is outlined and annotated with legal land descriptions (Township, Range, Section and Quarter-Quarters) or with GPS coordinates. For irrigation purposes, mark the number of acres you desire to idle. If the water right proposed for lease is located within a permissible place of use (PPU) and portions of the PPU will continue to receive water from non-leased water rights, clearly outline on a map the acres within the PPU that will continue to be irrigated, as well as acres that will be idled during the lease term. Label the map **Attachment 3**.

STATE OF IDAHO
WATER RESOURCE BOARD

APPLICATION TO SELL OR LEASE A WATER RIGHT
(Continued)

4. GENERAL INFORMATION

- A. Is the diversion works or system owned or managed by an irrigation district or water delivery company? Yes ☐ No ☒
If yes, provide written consent from the company, corporation or irrigation district authorizing the proposed sale or lease (Attachment 4A).

If your water right is delivered through a canal, lateral or ditch operated by a canal company, irrigation district, or similar delivery entity, your lease request must include written consent from the company, district, or similar entity for your removal of water from its system pursuant to [Section 42-108, Idaho Code](#) and [IDAPA WSB Rule 37.02.03.25.02e](#).

- B. Please provide a description of the current water diversion and delivery system.

Wells to mainlines to sprinklers

- C. Describe any other water rights used for the same purpose at the same place of use as the water right being offered to the Bank. PPU for water rights 36-7042 and 36-16476 authorizing the irrigation of 555 acres.

- D. Are any of the water rights identified in Section 4C stacked with the water right proposed for lease? Yes ☐ No ☒

Stacked water rights are used together to achieve a common beneficial use, such as irrigation of the same lands. Stacked water rights cannot be separated and must be jointly leased to the Water Supply Bank. Stacked water rights qualify for the multiple fee payment of \$500.

- E. Will the present place of use continue to receive water from any other source? Yes ☐ No ☒

If yes, explain the relationship between the different water sources and how enlargement of the authorized use will not occur if this water right is leased.

- F. Identify annual volumes and/or rates of water diverted in the last 5 years to accomplish the beneficial use authorized by this water right. No records exist as water right has been in the water supply bank.

- G. Has any portion of this water right undergone a period of five or more consecutive years of non-use? Yes ☐ No ☒

If yes, describe the circumstances and attach evidence to demonstrate how the water right has not been lost through forfeiture (Attachment 4G). See [Section 42-223, Idaho Code](#) for exceptions to forfeiture. Your application may be denied if forfeiture concerns are not addressed. Water right was in the water supply bank until 1/2016.

- H. Is this water right involved in any other IDWR process, such as an application for transfer or a mitigation plan?

If yes, describe.

Yes ☐ No ☒

STATE OF IDAHO
WATER RESOURCE BOARD

APPLICATION TO SELL OR LEASE A WATER RIGHT
(Continued)

5. SALE/LEASE AGREEMENT

- A. Is the water right, or portion thereof, offered to the Idaho Water Resource Board (IWRB) for sale ☐ or lease ☒.

If lease, specify the years when the use of water will be suspended: 2017 to 2017 (maximum lease period 5 calendar years).
(Year) (Year)

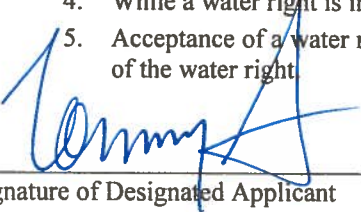
- B. Show the minimum payment acceptable to the seller/lessor. The minimum payment may be shown as the "current rental rate" as established by the IWRB. Include the method of determining the minimum payment if other than the current rental rate.

Current Rental Rate

I hereby assert that the information contained in this application is true to the best of my knowledge, and that I have the authorities necessary to offer this water right for sale or lease to the Idaho Water Resource Board.

The Designated Applicant acknowledges the following:

1. Payment to the Designated Applicant is contingent upon the sale or rental of the water right from the Bank.
2. While a water right is in the Bank, the seller/lessor of the water right may not use the water right, even if the water right is not rented from the Bank.
3. A water right accepted into the Bank stays in the Bank until the Designated Applicant receives written confirmation from the Board or Water Supply Bank that the water right has been released from the Bank.
4. While a water right is in the Bank, forfeiture is stayed.
5. Acceptance of a water right into the Bank does not, in itself, confirm the validity of the water right or any element of the water right.


Signature of Designated Applicant

Tommy Funk - President

Printed Name

5/18/17
Date

Signature of Authorized Representative

Printed Name

Date

Mail to:
Idaho Department of Water Resources
P.O. Box 83720
Boise, ID 83720-0098

**STATE OF IDAHO
WATER RESOURCE BOARD**

Complete Attachment 2 if only a portion of the water right is offered to the Bank.

ATTACHMENT 2

DESCRIPTION OF A WATER RIGHT PORTION OFFERED TO THE WATER SUPPLY BANK

1. <u>Water Right Number</u>	Nature of Use	Leased Rate (cfs)	Leased Volume (af)	Leased Acres (ac)
36-7042	Irrigation	0.79	196	49
Total Amounts:				

2. Source of water Groundwater tributary to

3. Point(s) of diversion:

Twp	Rge	Sec	Lot	¼	¼	¼	County
7S	23E	12		SE	SW	NE	Minidoka
7S	24E	7		NW	SW	NE	Minidoka

**LIMITED LIABILITY COMPANY OPERATING AGREEMENT
OF
YOUNG FARM LLC**

This Limited Liability Company Operating Agreement (this "Agreement") of Young Farm LLC, a Delaware limited liability company (the "Company"), dated as of December 17, 2015 is made and entered into by U.S. Farm Trust REIT LLC, a Delaware limited liability company, as the sole member of the Company (the "Member").

WHEREAS, on November 30, 2015, the Certificate of Formation of the Company (the "Certificate") was filed with the Secretary of State of the State of Delaware forming a limited liability company pursuant to and in accordance with the provisions of the Delaware Limited Liability Company Act, as amended from time to time (the "LLC Act").

NOW, THEREFORE, in consideration of the agreements and obligations set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Member hereby agrees as follows:

1. Name. The name of the Company is Young Farm LLC.
2. Certificates. The officers of the Company shall execute, deliver and file any certificates (and any amendments and/or restatements thereof) necessary for the Company to qualify to do business in a jurisdiction in which the Company may wish to conduct business.
3. Purpose. The Company is formed for the object and purpose of, and the nature of the business to be conducted and promoted by the Company is, engaging in any lawful act or activity for which limited liability companies may be formed under the LLC Act and engaging in any and all activities necessary or incidental to the foregoing.
4. Registered Agent; Principal Office. The Company shall maintain a registered office in Delaware at, and the name and address of the Company's registered agent in Delaware is, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801. Such office and such agent may be changed from time to time by the Member. The principal place of business of the Company shall be at 1325 Avenue of the Americas, Suite 0703-2, New York, New York 10019, or at such other place designated from time to time by the Member.
5. Common Units. The authorized Company limited liability company interests consist solely of 100 common units (the "Common Units"), all of which are issued to and held by the Member as of the date hereof.
6. Transfers. Notwithstanding any other provisions in this Agreement to the contrary, the Member shall be entitled to pledge its Common Units to, and otherwise grant a lien and security interest in its Common Units and all of its right, title and interest under this Agreement in favor of, the Company's or

Member's lenders without any further consents, approvals or actions required by the Member, the Company or any other person under this Agreement or otherwise. So long as any such pledge of or security interest in the Member's Common Units is in effect, no consent of the Company or the Member shall be required to permit a pledgee thereof or any purchaser of the Member's Common Units from such pledgee to be substituted as a member under this Agreement upon the exercise of such pledgee's rights with respect to such Common Units and such substituted member shall have all rights and powers as a member under this Agreement. So long as any pledge of the Common Units is in effect, this provision shall inure to the benefit of such pledgee and its successors, assigns and designated agents, as an intended third-party beneficiary, and no amendment, modification or waiver of, or consent with respect to this provision shall in any event be effective without the prior written consent of such pledgee.

7. Limited Liability. Except as otherwise provided by the LLC Act, the Member shall not be personally or otherwise liable for any debts, obligations or liabilities of the Company, whether arising in tort, contract or otherwise, solely by reason of being the Member.
8. Capital Contributions. The Member, in its sole discretion, may make capital contributions to the Company from time to time.
9. Allocation of Profits and Losses. The Company's profits and losses shall be allocated to the Member.
10. Distributions. Distributions shall be made to the Member at the times and in the aggregate amounts determined by the Member. Notwithstanding any provision to the contrary contained in this Agreement, the Company shall not make a distribution to the Member on account of its interest in the Company if such distribution would violate Section 18-607 of the LLC Act or other applicable law.
11. Management. In accordance with Section 18-402 of the LLC Act, the business and affairs of the Company shall be managed by the Member. The Member shall have full and complete authority, power and discretion to manage and control the business, affairs and properties of the Company, to make all decisions regarding those matters and to perform any and all other acts or activities customary or incidental to the management of the Company's business, including delegating any of its authority to any officer of the Company. The approval of the Member shall be required to approve all actions on behalf of the Company.
12. Officers and Employees. The Member, in its sole discretion, may from time to time appoint and dismiss officers and employees of the Company. Such officers and employees shall exercise such powers, have such authority and perform such duties as are determined from time to time by the Member. The officers and employees of the Company shall serve at the pleasure of the Member. The initial officers of the Company shall include the following, each of whom shall have

such powers, authority and duties as are typically reserved for such officers and as otherwise may be determined from time to time by the Member:

<u>Name</u>	<u>Title</u>
Edward Hargroves	Chief Operating Officer and Secretary
Thomas Funk	President
Ross Farris	Vice President

When the taking of such action has been authorized by the Member, any officer of the Company, or any other person specifically authorized by the Member, may execute any contract or other agreement or document on behalf of the Company and may execute and file on behalf of the Company with the Secretary of State of the State of Delaware any certificates of amendment to the Company's Certificate, one or more restated certificates of formation and certificates of merger or consolidation and, upon the dissolution and completion of winding up of the Company pursuant to Paragraph 16 hereof, a certificate of cancellation canceling the Company's Certificate.

13. Exculpation and Indemnification.

- (a) The Company shall indemnify, to the fullest extent permitted by law, any current, former or future member, manager, officer or employee of the Company against all losses, liabilities, costs and expenses, including without limitation attorneys', accountants' and experts' fees and expenses, judgments, fines, amounts paid in settlement and any costs incurred in establishing entitlement to indemnification (collectively, "Losses"), arising out of or related to any threatened, pending or completed claim, action or proceeding (any of the foregoing, an "Action") in which such Person may be involved, as a party or otherwise, by reason of its being or having been a member, manager, officer or employee of the Company, or by reason of its serving at the request of the Company as a director, officer, manager, member, trustee, partner, employee or agent of a limited liability company, corporation, partnership, joint venture, trust or other enterprise, including with respect to an employee benefit plan, if such Person acted in good faith and in a manner it reasonably believed to be in or not opposed to the best interests of the Company and, with respect to any criminal action or proceeding, had no reasonable cause to believe its conduct was unlawful. The right of indemnification provided in this Paragraph 13 shall be in addition to any rights to which such Person may otherwise be entitled by contract or as a matter of law, and shall extend to successors and assigns. Expenses incurred by any such Person in defending an Action or establishing entitlement to indemnification shall be paid by the Company in advance of the final disposition of such Action upon receipt of an undertaking by or on behalf of such Person to repay

such amount if it shall ultimately be determined that such Person is not entitled to be indemnified by the Company. Notwithstanding the foregoing, any indemnity under this Paragraph 13 shall be provided out of and to the extent of Company assets only, and the Member shall not have any personal or other liability on the account thereof. "Person" shall mean any individual, limited liability company, corporation, partnership, association, trust, estate or other enterprise or entity.

- (b) To the fullest extent permitted by applicable law, no member, manager, officer or employee of the Company shall be deemed to violate this Agreement or be liable to any member or the Company for any Losses incurred by reason of any act or omission performed or omitted by such Person, including without limitation under any theory of fiduciary duty or obligation, unless such violation or liability is attributable to such Person's gross negligence, willful misconduct or a continuing material breach of this Agreement after receipt of written notice thereof from the Company. Without limiting the generality of the foregoing, each member, manager, officer or employee shall be fully protected in the performance of its duties in relying in good faith upon the records of the Company and upon information, opinions, reports or statements presented to such member, officer or employee by any other Person that has been selected with reasonable care by or on behalf of the Company as to matters such member, manager, officer or employee reasonably believes are within such other Person's professional or expert competence.
- 14. Actions taken by the Company. Unless specifically prohibited by the Certificate or the LLC Act, any action to be taken by the Member may be taken at a meeting or may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by the Member in accordance with Paragraph 12 hereof.
- 15. Tax Treatment. The Company is intended to be disregarded as separate from the Member for U.S. federal income, state and any other applicable tax purposes and no person shall take any position inconsistent with such treatment on behalf of the Company or otherwise.
- 16. Dissolution.
 - (a) The Company shall dissolve upon the earlier to occur of: (i) the determination of the Member to dissolve the Company; (ii) the bankruptcy, dissolution or withdrawal of the Member if, at the time of such bankruptcy, dissolution or withdrawal, there are no other members of the Company; or (iii) the entry of a decree of judicial dissolution of the Company under Section 18-802 of the LLC Act.
 - (b) In the event of dissolution, the Company shall conduct only such activities as are necessary to wind up its affairs (including the sale of the assets of the Company in an orderly manner) and the assets of the Company shall



State of Idaho

DEPARTMENT OF WATER RESOURCES

322 East Front Street • P.O. Box 83720 • Boise, Idaho 83720-0098

Phone: (208) 287-4800 • Fax: (208) 287-6700 • Website: www.idwr.idaho.gov

C.L. "BUTCH" OTTER
Governor

GARY SPACKMAN
Director

September 26, 2017

YOUNG FARMS LLC
1250 NE LOOP 410 STE 300
SAN ANTONIO TX 78209

**RE: WATER SUPPLY BANK LEASE CONTRACTS FOR WATER RIGHTS 36-7042, 36-7934,
and 36-16476**

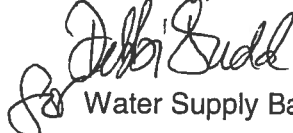
Dear Lessor:

Water rights **36-7042, 36-7934, and 36-16476** were leased into the Water Supply Bank (Bank) as of May 18, 2017, in accordance with the enclosed executed lease contracts. **Your water rights, as described on the lease contracts, are considered leased into the Bank and should remain unused until they are formally released from the Bank.** More information and further restrictions placed on your water rights while leased can be found in conditions of acceptance of the lease contract. Read the conditions of acceptance carefully.

The rights will automatically be released from the Bank on **December 31, 2017**, unless the rights are released earlier by the Water Resource Board (Board). On behalf of the Board, the Department of Water Resources (Department) can evaluate an early release of the lease contract upon your request. To release the water rights from the Bank prior to the release date, submit a written request on the *Request to Release a Water Right from the Bank* form. This form is available on our public website at www.idwr.idaho.gov. **Please note your water rights may not be available for immediate release if they have been rented or are being considered for a future rental. Furthermore, it is at the discretion of the Department whether or not a water right can be released early from a lease contract.**

If you have questions regarding this matter, please contact this office at 287-4800.

Sincerely,


John Sudd
Water Supply Bank

Enclosures: Executed Lease Contracts

c: Corey Skinner - IDWR Southern Region
Nathan Erickson – Water District 130
Erick Powell – Brockway Engineering



State of Idaho

DEPARTMENT OF WATER RESOURCES

322 East Front Street • P.O. Box 83720 • Boise, Idaho 83720-0098

Phone: (208) 287-4800 • Fax: (208) 287-6700 • Web Site: www.idwr.idaho.gov

GARY SPACKMAN
Director

C.L. "BUTCH" OTTER
Governor

September 23, 2017

YOUNG FARM LLC
1250 NE LOOP 410 STE 300
SAN ANTONIO TX 78209

**RE: REQUEST FOR RETURN OF SIGNED WATER SUPPLY BANK LEASE CONTRACTS FOR
WATER RIGHT(S) 36-7042, 36-7934 & 36-16476**

*****TIME SENSITIVE RESPONSE REQUIRED*****

Dear Applicant,

The Department of Water Resources (Department) mailed **two original Water Supply Bank Lease Contracts for your review and signature** on September 1, 2017. The signed contracts have not been returned to the Department.

Please sign all original Lease Contracts and return them to the Department within ten (10) days of this letter to complete processing. The Lease Contract is not considered final until both you and the Department have signed.

If the signed lease contracts are not received by the Department within the 10-day period, the lease application(s) will be returned, and the application fee will not be refunded. You can reapply to lease the water right(s) in the future by submitting new application form(s) along with applicable fees.

Please note the forfeiture period is not tolled unless a right is accepted into the Bank, or unless an exception or defense to forfeiture applies as described under Idaho Code § 42-223. If forfeiture is a concern, you may consider filing an Application for Extension of Time to Avoid Forfeiture of a Water Right form. This and other water right forms are available from the Department's web site at www.idwr.idaho.gov.

If you have questions regarding this matter, please contact this office at 287-4800.

Sincerely,

Water Supply Bank

c: Brockway Engineering PLLC

Hersley, Jean

From: Hersley, Jean
Sent: Friday, September 22, 2017 9:44 AM
To: 'Greg Sullivan'
Subject: Young WSB Lease
Attachments: DOC001

This 10-day notice letter went out in today's mail.

Jean



State of Idaho

DEPARTMENT OF WATER RESOURCES

322 East Front Street • P.O. Box 83720 • Boise, Idaho 83720-0098

Phone: (208) 287-4800 • Fax: (208) 287-6700 • Web Site: www.idwr.idaho.gov

GARY SPACKMAN
Director

C.L. "BUTCH" OTTER
Governor

September 1, 2017

YOUNG FARM LLC
1250 NE LOOP 410 STE 300
SAN ANTONIO TX 78209

RE: APPLICATIONS TO LEASE WATER RIGHT 36-7042, 36-7934 and 36-16476 TO THE WATER SUPPLY BANK

****TIME SENSITIVE RESPONSE REQUIRED****

Dear Applicant:

The Department of Water Resources has completed its review of your application to lease the above-mentioned water right to the Water Supply Bank. **I have enclosed two original Water Supply Bank Lease Contracts for your review and signature. Please sign and return ALL Lease Contracts within 14 days.** Upon signature and return of the contracts, the Department will also sign the original contracts and return an executed copy to you. The Lease Contract is not considered final until you and the Department have both signed.

The right will automatically be released from the Bank on **December 31, 2017**, unless the right is released earlier by the Board, or upon your request. To release the right from the Bank prior to the release date, submit a written request on the Request to Release a Water Right from the Bank form. To propose a new lease period, submit a new Application to Sell or Lease a Water Right to the Water Supply Bank form along with applicable fees to the Department. These forms are available from any IDWR office or from our public website at <http://www.idwr.idaho.gov>. Please note your rights may not be available for immediate release if they have been rented.

Please review the conditions of acceptance listed on the Lease Contract, including #3 which says:

"While a right is in the bank, **the lessor may not use the right** without approval of the department even if the right is not rented from the bank. Any violation of the terms of this lease may result in enforcement procedures pursuant to Idaho Code § 42-351 for illegal diversion and use of water and may include civil penalties pursuant to Idaho Code § 42-1701B."

If you have questions regarding this matter, please contact this office at 287-4800.

Sincerely,


for Water Supply Bank

Enclosure: Proposed Lease Contracts

c: Brockway Engineering PLLC

WATER SUPPLY BANK

Agent Lease Review Checklist

Applicant(s) Name: Young Farm LLC

Memo Date: June 21, 2017

Water Right Number(s): 36-7042 & 36-16476

Reviewers Name: Jean

Quick Tools

Decreed Year	No Forfeiture Concerns Thru:
2010	2016
2011	2017
2012	2018
2013	2019
2014	2020

	Check box		COMMENTS/CONCERNS:
1	☒	Fill out WSB Data Entry Checklist for Leases	
2		Reason for lease of water rights (Brief description of lease proposal in narrative)	
	☒	Portion of right	
		All of right	
3		Check GWMA/CGWA/ADC and basin 63 areas of concern (note area in comments)	
	☐	Yes	☐ No
4	☒	Rentable? If no explain in comments	
5		Authority to file	
	☒	Current owner or designated applicant	
	☒	SOS Web site checked for business entity	
		Other (explain in comments)	
6		Water Right validity	2003
		Decreed/Licensed/Statutory claim date (write in comments section)	
		Past irrigation to ensure forfeiture is not an issue if decreed or licensed over 7 years ago (consider transfers that changed the POU, rentals to the POU etc.)	
	☒	Has this right previously been leased to the bank or in CREP?	2006-2016
7		Injury to other water rights	
		If the POD is through a delivery entity, was consent provided?	na
		If the POD is through a delivery entity, was holdback required? (percentage in comments)	%
8		Enlargement concerns	
	☒	Complete a POU comparison overlap analysis	
	☒	Complete a combined limits review	
	☒	Complete POD overlap analysis (if there is an overlap add condition to lease)	
	☐	Yes	☐ No
		Are there overlapping rights that need to be placed in the bank also?	☒
		Will the place of use continue to receive water?	☒
9		Local Public Interest	
		Does the processor know of any problems this action will cause for the local public?	☒
10	☒	Have you contacted regional office and watermaster for comment/concerns?	
	☒	Send the watermaster comment request form or e-mail request	
11		Area Headgate requirement	4
12		Is water right involved in any other department action? Pull file and check database () Ownership Change () Transfer () Mitigation () Other - Explain in comments	☒

13 **Narrative:** The Department received this application on May 18, 2017. the applicant wishes to place a portion of the water rights in the Bank. These portions are the pivot corners. Tommy Funk, president, signed the application (see operating agreement attached to application). Although there are combined limits on the water rights, they are additive. Each right will be on a separate contract. Informed the applications consultant, Brockway Engineering, that an option was to place all 82.5 acres in the Bank under one right. Their client didn't want to fill out new paperwork so the Department processed the applications as received. These rights were decreed in 2003 and placed in the Bank in 2006. They were released in 2016. These rights are currently within WD 130.