

WATER SUPPLY BANK LEASE CONTRACT No. 421

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

LESSOR: BLUE WATER DEVELOPMENT LLC
ATTN JOHN MAGNUSON
1250 NORTHWOOD CENTER CT
PO BOX 2350
COEUR D ALENE, ID 83816-2350

RECEIVED

JAN 12 2017

DEPARTMENT OF
WATER RESOURCES

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 December 20, 2016.
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)
95-2200	2/3/1967	GROUND WATER	2.240	549.50	157.00
Combined Limit Totals			2.240	549.50	157.00
Combined Lease Totals			2.240	549.50	157.00

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

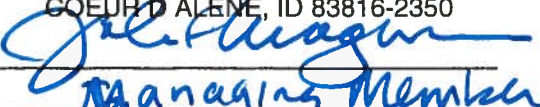
3. **TERM OF LEASE:** The term of this lease shall be January 1, 2017 to December 31, 2017. This Lease shall bind the parties and take effect when both parties have signed it.
4. **WATER SUPPLY BANK CONDITIONS OF ACCEPTANCE:** The Lessor shall abide by all terms and conditions contained in the Water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

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.

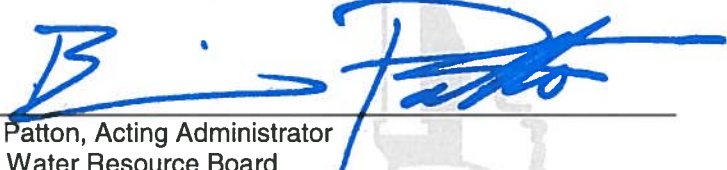


IN WITNESS WHEREOF, the parties have executed this Contract on the date following their respective signatures.

LESSOR: BLUE WATER DEVELOPMENT
LLC
ATTN JOHN MAGNUSON
1250 NORTHWOOD CENTER CT
PO BOX 2350
COEUR D'ALENE, ID 83816-2350

By 
Title Managing Member
Date 1/9/17

IDAHO WATER RESOURCE BOARD
322 East Front Street
P.O. Box 83720
Boise, ID 83720-0098

By 
Brian Patton, Acting Administrator
Idaho Water Resource Board

Date 1/13/2017

Lease approved by IDWR 

Date 1-13-2017

**ATTACHMENT A
WATER SUPPLY BANK CONDITIONS OF ACCEPTANCE
FOR LEASE CONTRACT NO. 421**

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): 95-2200

GROUND WATER NWNW Sec. 28 Twp 51N Rge 04W KOOTENAI County

Water Right	Beneficial Use	Season of Use			Diversion Rate (CFS)	Volume (AF)
		From		To		
95-2200	IRRIGATION	3/15	to	11/15	2.240 cfs	549.50 AF
Totals:					2.240 cfs	549.50 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	
51N	04W	28	39.0	39.0	40.0	39.0													157.0

Total Acres: 157.0

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.

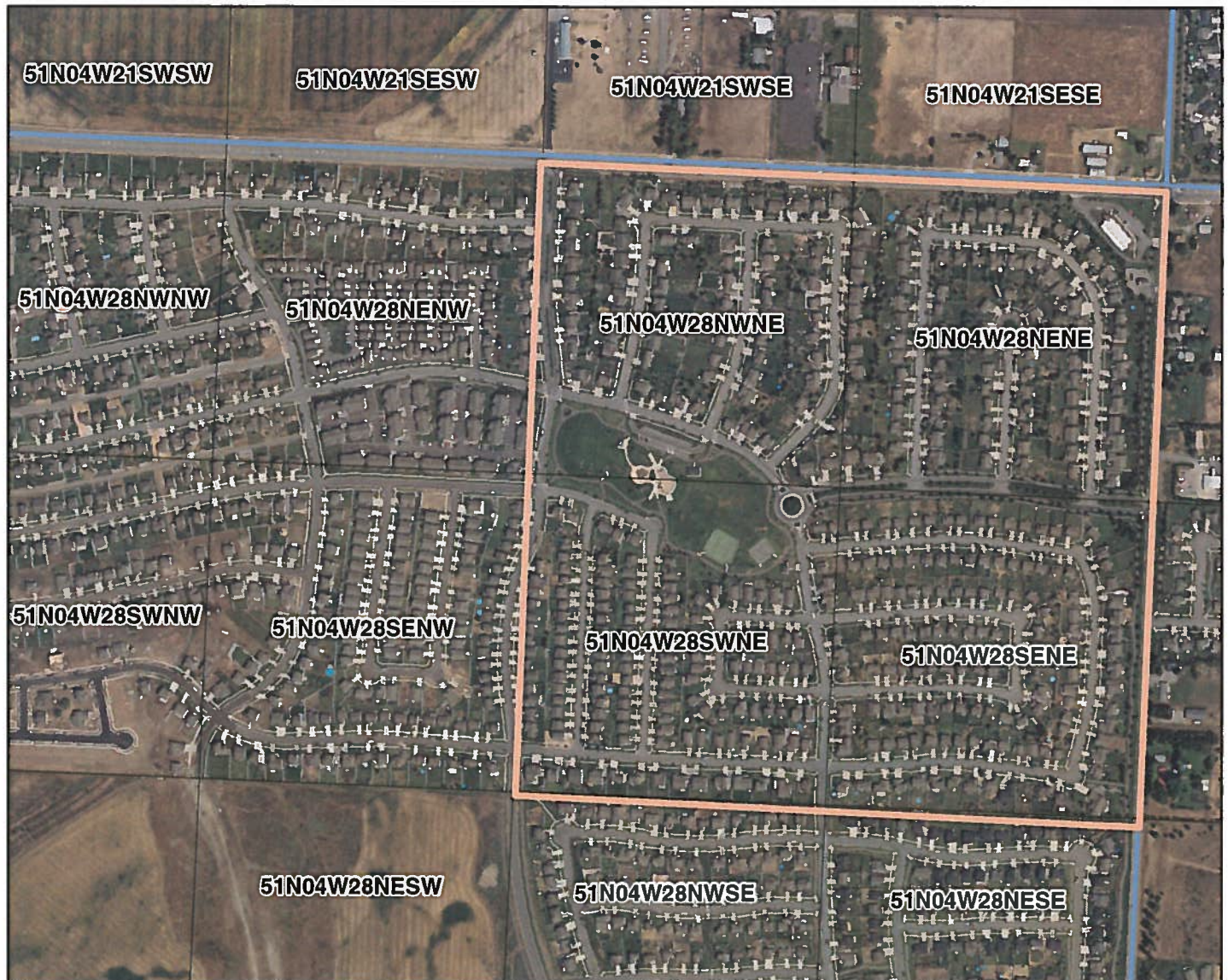


Idaho Water Resource Board Water Supply Bank Lease

95-2200

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

DEC 20 2016

DEPARTMENT OF
WATER RESOURCES

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

Designated Applicant Bluewater Development, LLC

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

Water Right No. 95-2200

(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 <u>Internal Revenue Service (IRS) Form W-9</u> 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 <u>Section 42-222(2), Idaho Code</u> . |

Department Use Only

Fee Amount \$ <u>250</u>	Received By: <u>VL</u>	Date Received: <u>12/20/16</u>	Receipt # <u>C102811</u>
W-9 received? Yes ☒ No ☐ (Route W-9 to Fiscal)		Name on W-9: <u>Bluewater Development LLC</u>	

422

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 Bluewater Development, LLC

Mailing Address PO Box 2350, Coeur d'Alene, ID 83816-2350

Street City State Zip Code

Email Address john@magnusononline.com Phone Number (208) 667-0100

☒ 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 Christopher H. Meyer

Organization Givens Pursley LLP

Professional Title Attorney

Email Address chrismeyer@givenspursley.com

Mailing Address PO Box 2720, Boise, ID 83701-2720

Phone Number (208) 388-1236

☐ 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.
See Report of Examiner dated September 1969 (Permit G-33461 in backfile for 95-2200) for description of well and works. The diversion system provided irrigation water for bluegrass production. Last crop harvested in 2003.
- 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. Nos. 95-2112 and 95-2200 provided irrigation water for bluegrass production in adjacent quarter sections. Both rights diverted from the same well located on the quarter-quarter section boundary within the NW quarter of section 28 of T51N, R4W, BM. The location of the former well is shown incorrectly on IDWR's website map.
- 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. The land that previously was used for bluegrass production has been converted to a residential subdivision. The property was annexed into the city, and is now supplied with municipal water.
- 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 water has been diverted under this water right during the previous five years. The right has been leased to the Idaho Water Supply Bank, and it has not been rented out. Information about diversion when the right was in use (1967-2003) is contained in the water right file. Rate=2.24 cfs. Vol. = 549.5 af (157 x 3.5).
- 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 Nos. 95-2112 and 95-2200 were used from 1955/1967 until 2004/2003 for bluegrass production. No. 95-2200 was acquired by the current owner in 2003, and No. 95-2112 was acquired by the current owner in 2006. (See attachments to Notice of Change in Water Right Ownership dated 2-19-2008.) Both rights were placed in the Idaho Water Supply Bank in 2008, where they remain.
- 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. (The Applicant would prefer to set a minimum rental rate of \$78,500 (\$500/acre), but the undersigned Representative was advised previously that his is not allowed. Please advise if this has changed.)

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



Signature of Authorized Representative

Printed Name

Christopher H. Meyer, Attorney-in-Fact

Printed Name

Date

December 19, 2016

Date

Mail to:

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

**STATE OF IDAHO
WATER RESOURCE BOARD**

ATTACHMENT 1A

Additional Water Right Holders Party to the Lease Application

For the water right on this application, list all owners (individuals or business entities) of the right or the property to which it is appurtenant. All water right holders must sign a Water Supply Bank Lease Application. However, only the Designated Applicant needs to provide a completed IRS Form W-9 (Attachment 1B). **All correspondence and any financial payment associated with the rental of this water right will be directed to the Designated Applicant.** If additional space is needed to list any other water right holders, attach a second copy of Attachment 1A.

If submitting multiple applications, it is only necessary to complete one Attachment 1A for the group of applications. List each water right below.

Water Right No(s). 95-2200

	Designated Applicant	Applicant #2	Applicant #3
Name	Bluewater Development, LLC		
Mailing Address	PO Box 2350 Coeur d'Alene, ID 83816-2350		
Phone Number	(208) 667-0100		
Email Address	john@magnusononline.com		
Applicant Declaration	As Designated Applicant, I submit this lease application on behalf of all other water right holders.	I authorize the Designated Applicant to submit this application on my behalf.	I authorize the Designated Applicant to submit this application on my behalf.
Signature			

	Applicant #4	Applicant #5	Applicant #6
Name			
Mailing Address			
Phone Number			
Email Address			
Applicant Declaration	I authorize the Designated Applicant to submit this application on my behalf.	I authorize the Designated Applicant to submit this application on my behalf.	I authorize the Designated Applicant to submit this application on my behalf.
Signature			

**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>	<u>Nature of Use</u>	<u>Leased Rate</u> (cfs)	<u>Leased Volume</u> (af)	<u>Leased Acres</u> (ac)
95-2200	Not applicable.			
	Only entire water right			
	offered for rent.			
	Total Amounts:			

2. Source of water _____ tributary to _____

3. Point(s) of diversion:

Twp	Rge	Sec	Lot	¼	¼	¼	County

State of Idaho
Department of Water Resources

Water Right 95-2200

IRRIGATION

The map depicts the place of use for the water use listed above and point(s) of diversion of this right as currently derived from interpretations of the paper records and is used solely for illustrative purposes. Discrepancies between the computer representation and the permanent document file will be resolved in favor of the actual water right documents in the water right file.



-  Point of Diversion
-  Place Of Use Boundary
-  Townships
-  PLS Sections
-  Quarter Quarters

0 0.125 0.25 0.5 Miles



SPECIAL POWER OF ATTORNEY FOR WATER RIGHTS

Bluewater Development, LLC, an Idaho Limited Liability Company, hereby appoints the attorneys of Givens Pursley LLP, 601 West Bannock Street, P.O. Box 2720, Boise, Idaho, 83701 as its true and lawful attorneys for the purpose of signing on its behalf the following forms for submission to the Idaho Department of Water Resources and/or any Idaho court adjudicating these rights:

1. Notice of Claim to a Water Right;
2. Application for Amendment of Permit to Appropriate the Waters of the State of Idaho;
3. Notice of Change of Water Right Ownership;
4. Request for Extension of Time to Provide Additional Time in Which to Submit Proof of Beneficial Use for a Water Right Permit;
5. Notice of Protest;
6. Application for Transfer of a Water Right;
7. Proof of Beneficial Use;
8. Application for Exchange of Water;
9. Application for Extension of Time to Avoid Forfeiture of a Water Right;
10. Application to Sell or Lease a Water Right to the Water Supply Bank;
11. Application for Temporary Approval of a Water Application;
12. Application for Permit to Appropriate the Waters of the State of Idaho;
13. Pleadings submitted to any Idaho court adjudicating the water rights of Bluewater Development, LLC; and
14. Any other document in support or furtherance of any of the above.

In addition, Givens Pursley LLP is hereby given authority to request and obtain aerial photographs, crop records, ownership and financial information, and related information from the U.S. Department of Agriculture Farm Service Agency related to property irrigated by water rights owned by Bluewater Development, LLC.

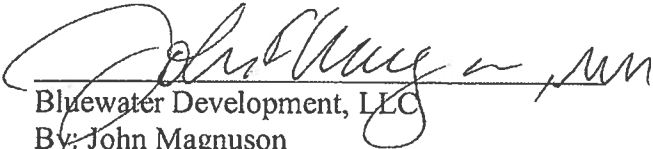
All may rely on such authority. This Special Power of Attorney shall be effective until revoked in writing by Bluewater Development, LLC.

For purposes of the exercise of the powers herein granted, the facsimile signature of said attorneys shall be lawful and binding and any person may rely upon such facsimile signature as if it were an original.

[End of text]

IN WITNESS WHEREOF, Bluewater Development, LLC has executed this Special Power of Attorney effective as of the date noted.

Dated: 11-28-07


Bluewater Development, LLC

By: John Magnuson

Its: Managing Member

ACKNOWLEDGMENT

STATE OF Idaho
County of Kootenai) ss.

On this 28th day of November, 2007, before me, a Notary Public in and for the State of Idaho, personally appeared John F. Magnuson, known or identified to me to be the member of the limited liability company that executed the instrument or the person who executed the instrument on behalf of said limited liability company, and acknowledged to me that such limited liability company executed the same.

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



Stephanie Belden
Notary Public for Idaho
Residing at Coeur d'Alene
My Commission expires 3/8/2010



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

January 17, 2017

BLUE WATER DEVELOPMENT LLC
ATTN JOHN MAGNUSON
1250 NORTHWOOD CENTER CT
PO BOX 2350
COEUR D ALENE ID 83816-2350

RE: WATER SUPPLY BANK LEASE CONTRACTS FOR WATER RIGHTS 95-2112 and 95-2200

Dear Lessor:

Water rights **95-2112 and 95-2200** were leased into the Water Supply Bank (Bank) as of December 20, 2016, 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,


Doreen Budd
Water Supply Bank

Enclosure: Executed Lease Contracts

c: Chris Meyer – Givens Pursley LLP
Morgan Case - IDWR Northern Region
Chad Goodwin – IDWR Northern Region

Judd, Debbi

From: Judd, Debbi
Sent: Friday, January 13, 2017 2:03 PM
To: Chris Meyer (chrismeyer@givenspursley.com); Case, Morgan; Goodwin, Chad
Subject: Water Supply Bank Lease Contracts Blue Water Development 95-2112 & 95-2200
Attachments: blewater.pdf

Please find attached the Executed Lease Contracts for Blue Water Development LLC WRs 95-2112 & 95-2200.

Thank you and have a great day!

Debbi

Debbi Judd
Technical Records Specialist
debbi.judd@idwr.idaho.gov

Idaho Department of Water Resources
322 E Front St
PO Box 83720
Boise, ID 83720-0098
208-287-4920
www.idwr.idaho.gov

Webster, Clay

From: Webster, Clay
Sent: Thursday, January 12, 2017 12:39 PM
To: 'Christopher H Meyer'
Cc: 'John F. Magnuson Esq. (john@magnusononline.com)'; Lisa Hughes; Buyer, Remington; Hersley, Jean
Subject: RE: Water Supply Bank Leases for Nos. 95-2112 & 95-2200 [IWOV-GPDMS.FID303434]
Attachments: Report - Lease Contract -95-2200.pdf; Report - Lease Contract - 95-2112.pdf

Chris,

I apologize for the confusion. The reminder letter is sent to all owners of leases when the lease is ending in our system. That letter is just a reminder so that no one forgets to re-apply if that is what they desire. We have already received the lease applications for the this year for these water rights. Therefore, you may disregard the reminder letter. I do not know what happened to your copies of the proposed WSB lease contracts. I am enclosing a copy now for your files. I am still awaiting the signed lease contracts. We will notify you when we execute them.

Sincerely,
Clay Webster
Water Resource Agent Sr.
clay.webster@idwr.idaho.gov
208-287-4910
Idaho Department of Water Resources (IDWR)

From: Christopher H Meyer [mailto:ChrisMeyer@givenspursley.com]
Sent: Thursday, January 12, 2017 10:51 AM
To: Buyer, Remington <Remington.Buyer@idwr.idaho.gov>; Hersley, Jean <Jean.Hersley@idwr.idaho.gov>; Webster, Clay <Clay.Webster@idwr.idaho.gov>
Cc: 'John F. Magnuson Esq. (john@magnusononline.com)' <john@magnusononline.com>; Lisa Hughes <lisahughes@givenspursley.com>
Subject: Water Supply Bank Leases for Nos. 95-2112 & 95-2200 [IWOV-GPDMS.FID303434]

To Jean Hersley, Clay Webster, and Remington Buyer:

On December 20, 2016, I submitted lease applications for the above-captioned water rights (attached). My assistant, Lisa Hughes, spoke with Clay on December 29, 2016. Clay assured her that the applications had been received, would be processed, and, if approved, would be approved retroactively to 2016.

On January 6, 2017, Remington Buyer sent a letter to the water right holder (Bluewater Development LLC) without a copy to me saying that the 2016 leases had expired (attached).

On January 11, 2017, John Magnuson of Bluewater Development LLC returned to IDWR executed copies of the 2017 leases for these two water rights (cover letter attached) , which, apparently, had been sent to Mr. Magnuson on January 3, 2017, again without copies to me.

Would you please confirm that we may ignore the January 6, 2017 letter stating that the leases have expired and that the rights are subject to forfeiture?

Would you please forward to me copies of the executed leases (which are not yet on your website) so that I may complete my file and confirm that everything is in order?

In the future, I would very much appreciate being copied (as the designated representative on these applications) in order to avoid client confusion.

Thanks much. And I do appreciate that things can be a bit chaotic with all these applications coming in at the end of the year.

My best to you all,

-Chris

CHRISTOPHER H. MEYER

GIVENS PURSLEY LLP

601 W Bannock St, Boise, ID 83702 / PO Box 2720, Boise, ID 83701

direct 208-388-1236 / cell 208-407-2792 / assistant 208-388-1227 (Lisa Hughes)

chrismeyer@givenspursley.com / www.givenspursley.com

CONFIDENTIALITY NOTICE: This communication is confidential and may contain privileged information. If you have received it in error, please advise the sender by reply email and immediately delete the message and any attachments without copying or disclosing the contents. Thank you.

JOHN F. MAGNUSON
ATTORNEY AT LAW

ADMITTED IN IDAHO AND WASHINGTON

TELEPHONE
208•667•0100

FAX
208•667•0500

P.O. Box 2350
1250 NORTHWOOD CENTER COURT
SUITE A
COEUR D'ALENE
IDAHO 83816

RECEIVED

JAN 12 2017

DEPARTMENT OF
WATER RESOURCES

January 11, 2017

Idaho Department of Water Resources
Attn: Ms. Jean Husley
322 E. Front Street
Boise, ID 83720-0098

VIA FEDERAL EXPRESS

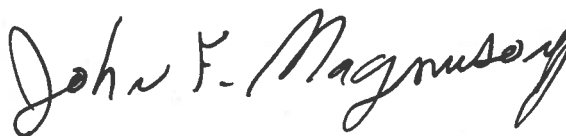
Re: Applications to Lease Water Right 95-2112 and 95-2000 to
The Water Supply Bank/Blue Water Development, LLC

Dear Ms. Husley:

I am in receipt of a copy of your letter of January 3, 2017. Please find enclosed two (2) original "Water Supply Bank Lease Contracts," which I have signed on behalf of Blue Water Development, LLC.

If you need any additional information in order to complete these Leases, please let me know.
Thank you.

Sincerely,



John F. Magnuson

JFM/js
Encls.

cc: Chris Meyer, Esq. (Via -e-mail) (w/o Encls.)
IDWR-BLUE WATER.LTR.wpd



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

January 3, 2017

BLUE WATER DEVELOPMENT LLC
ATTN: JOHN MAGNUSON
1250 NORTHWOOD CENTER CT
PO BOX 2350
COEUR D'ALENE ID 83816-2350

RE: APPLICATIONS TO LEASE WATER RIGHT 95-2112 and 95-2200 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 of each 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.

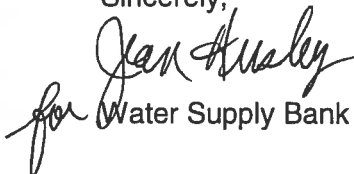
The right will automatically be released from the Bank on **December 31, 2017**, unless the right is released earlier by the Board, or upon your request. To release the right from the Bank prior to the release date, submit a written request on the Request to Release a Water Right from the Bank form. 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: Givens Pursley LLP

WATER SUPPLY BANK
Agent Lease Review Checklist
Applicant(s) Name: Blue Water Development LLC

Memo Date: December 30, 2016

Water Right Number(s): 95-2200

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	
		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?	
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?	x
		Will the place of use continue to receive water?	x
9		Local Public Interest	
		Does the processor know of any problems this action will cause for the local public?	x
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	3
12	☒	Is water right involved in any other department action? Pull file and check database () Ownership Change () Transfer () Mitigation (x) Other - Explain in comments	

13 **Narrative:** The applicant wishes to place the entire right in the Bank. Christopher Meyers, attorney, has power of attorney and signed the application. This right is currently a recommendation in the NIA but has been in the Bank since 2008. Forfeiture is not an issue. This right overlaps with rights from the City of Coeur d' Alene municipal rights. This right is not currently within a WD.

GIVENS PURSLEY LLP

Attorneys and Counselors at Law

601 W. Bannock Street
PO Box 2720
Boise, ID 83701
Telephone: 208-388-1200
Facsimile: 208-388-1300

www.givenspursley.com

Christopher H. Meyer
208-388-1236
chrismeyer@givenspursley.com

Gary G. Allen
Peter G. Barton
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Jason J. Blakley
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Preston N. Carter
Jeremy C. Chou
William C. Cole
Michael C. Creamer
Amber N. Dina
Bradley J. Dixon
Thomas E. Dvorak
Jeffrey C. Fereday
Martin C. Hendrickson
Brian J. Holleran

Kerli H. Kennedy
Don E. Knickrehm
Neal A. Koskella
Debra K. Kristensen
Michael P. Lawrence
Franklin G. Lee
David R. Lombardi
Kimberly D. Maloney
Kenneth R. McClure
Kelly Greene McConnell
Alex P. McLaughlin
Melodie A. McQuade
Christopher H. Meyer
L. Edward Miller
Patrick J. Miller
Judson B. Montgomery

Deborah E. Nelson
W. Hugh Peterson, Esq.
Randall A. Peterman
Michael O. Roe
Jamie Caplan Smith
P. Mark Thompson
Jeffrey A. Warr
Robert B. White

Angela M. Reed, of counsel

Kenneth L. Pursley (1940-2015)
James A. McClure (1924-2011)
Raymond D. Givens (1917-2008)

RECEIVED

DEC 20 2016

DEPARTMENT OF
WATER RESOURCES

December 20, 2016

Via Hand Delivery

Clay Webster
Water Resource Agent
WSB Process Point of Contact
Idaho Department of Water Resources
The Idaho Water Center
322 E Front St
Boise, ID 83702

Re: Bluewater Development, LLC — Water Right Nos. 95-2112 and 95-2200

Dear Clay:

Enclosed please find two water supply bank applications for 2017, one for each of the above-referenced water rights. They are both dated December 19, 2016. These rights have been leased to the Idaho Water Supply Bank since 2008. I am submitting these new applications because the Department no longer has a form for extension of an existing lease.

Each application is accompanied by a W-9 Form, a map describing the water right, a copy of the Special Power of Attorney authorizing me to act on behalf of my client, Bluewater Development, LLC, and a check in the amount of \$250.00 to cover the application fee.

As noted on the application forms, the applicant agrees that the rights may be rented out at the current market rate. As we noted with last year's application, the Applicant would prefer to set a higher minimum threshold. In the event the Idaho Water Resource Board changes its policy to allow such flexibility, I would very much appreciate your letting me know.

Clay Webster
December 20, 2016
Page 2

RECEIVED

DEC 20 2016

DEPARTMENT OF
WATER RESOURCES

You have been most helpful in the past in processing these applications. I thank you in advance for your assistance this year. It is my understanding that if the applications are not approved until next year, the approvals will be retroactive effective January 1, 2017.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Meyer", with a long horizontal flourish extending to the right.

Christopher H. Meyer

Encl: Two Water Supply Bank Applications
Two application filing fees totaling \$500.00

cc: John F. Magnuson, Bluewater Development, LLC