

MEMORANDUM

To: Water Rights 37-26 and 37-27

From: Remington Buyer

Date: September 28, 2015

Re: 2015 Warrant Payments for annual rentals

This memo documents the 2015 warrant payments to the owners of water rights 37-26 and 37-27. The 2015 warrant payments are adjusted from the amounts issued in 2013 and 2014 to address incorrect payment amounts issued in 2013 and 2014. The following summarizes the necessary corrective actions.

Water rights 37-26 and 27 are stacked together and they were fully leased into the Bank, together, in 2003. The original lessor (MV Properties) conveyed ownership of these rights to three separate parties while the rights were in the Bank. The three owners (and corresponding ownership) of this stack of rights are:

Water Right	Beneficial Use	Div. Rate	Water Right Ownership		
			BLM	Jean Sligar-Shakstad	Matthew Thornton
37-26	Irrigation	4.05 cfs	0.100 cfs (2.5%)	2.765 cfs (68.25%)	1.185 cfs (29.25%)
	Mitigation	0.45 cfs	0.011 cfs (2.5%)	0.307 cfs (68.25%)	0.132 cfs (29.25%)
	Sub-Total	4.50 cfs	0.111 cfs (2.5%)	3.072 cfs (68.25%)	1.317 cfs (29.25%)
37-27	Irrigation	1.80 cfs	0.100 cfs (5.5%)	1.190 cfs (66.1%)	0.510 cfs (28.3%)
	Mitigation	0.20 cfs	0.011 cfs (5.5%)	0.132 cfs (66.1%)	0.057 cfs (28.5%)
	Sub-Total	2.00 cfs	0.111 cfs (5.5%)	1.322 cfs (66.1%)	0.567 cfs (28.4%)
Total	Irrigation	5.85 cfs	0.200 cfs (3.4%)	3.955 cfs (67.6%)	1.695 cfs (29%)
	Full Right	6.50 cfs	0.222 cfs (3.4%)	4.395 cfs (67.6%)	1.884 cfs (29%)

BLM holds 3.4% ownership of this set of stacked rights, while Sligar holds 67.6% and Thornton holds 29%.

These three water rights were fully rented from the Bank in 2013, 2014 and 2015. A rental fee of \$17/AF was levied for each of the three years, resulting in a full payment of \$7,267.50, with 90% (\$6,540.75) going to water right holders. Based on the ownership proportions identified above, the annual owner warrants for this rental transaction should have been as follows:

Water Right	Beneficial Use	Div. Rate	Amount Rented	Rental Payment Due to Owners	Water Right Payments		
					BLM	Sligar-Shakstad	Thornton
37-26	Irrigation	4.05 cfs	4.05 cfs	\$4,528.80	\$113.22 (2.5%)	\$3,090.91 (68.25%)	\$1,324.67 (29.25%)
	Mitigation	0.45 cfs					
	Sub-Total	4.50 cfs	4.05 cfs				
37-27	Irrigation	1.80 cfs	1.80 cfs	\$2,011.95	\$109.17 (5.5%)	\$1,330.64 (66.1%)	\$572.14 (28.4%)
	Mitigation	0.20 cfs					
	Sub-Total	2.00 cfs	1.80 cfs				
Total	Irrigation	5.85 cfs	5.85 cfs	\$6,540.75	\$222.39 (3.4%)	\$4,421.55 (67.6%)	\$1,896.82 (29%)
	Full Right	6.50 cfs					

Actual rental payments for years 2013 and 2014 were as follows:

Water Right	Beneficial Use	Div. Rate	Amount Rented	Rental Payment Due to Owners	Water Right Payments		
					BLM	Sligar-Shakstad	Thornton
Total	Irrigation	5.85 cfs	5.85 cfs	\$6,540.75	\$191.19	\$4,407.46	\$1,942.20
	Full Right	6.50 cfs			(-\$31.20)	(-\$14.09)	(\$45.28)

The result is that [\$31.20 + \$14.09 = \$45.29] was incorrectly paid to Thornton in both 2013 and 2014, instead of being distributed amongst BLM and Sligar-Shakstad. To address this imbalance, Thornton's 2015 warrant payment will be reduced by \$90.57 (\$45.29 x2), to be \$1,806.25, and an additional payment of \$62.39 will be issued to BLM and \$28.17 will be issued to Sligar-Shakstad. BLM's payment will thus be \$222.39 + \$62.39 = \$284.78, while Sligar-Shakstad's payment will be \$4,421.55 + \$28.17 = \$4,449.72.