

STATE OF IDAHO
DEPARTMENT OF WATER RESOURCES
WATER SUPPLY BANK RENTAL AGREEMENT

RECEIVED

MAR 16 2015

DEPARTMENT OF
WATER RESOURCES

This is to certify that: **WILLIAM J MCMORROW TRUSTEE**
WILLIAM J MCMORROW REVOCABLE TRUST
C/O KENNEDY WILSON
9701 WILSHIRE BLVD STE 700
BEVERLY HILLS CA 90212
(310) 887-6276

filed an application to rent water from the Water Supply Bank ("Bank"). The Idaho Water Resource Board ("Board"), being authorized to operate a Bank and to contract by and through the Director of the Idaho Department of Water Resources ("Director, Department") for rental of water from the Bank, agrees to rent water as follows:

Summary of Water Rights or Portions Rented from the Bank

Water Right	Priority Date	Source	Tributary	Rented Rate	Annual Rented Volume	Acre Limit	Total Rented Acres
37-8372	8/9/1988	Ground Water		0.03 cfs	7.9 af	NA	2.25 ac

Annual Combined Rental Totals

0.03 cfs 7.9 af NA 2.25 ac

Term of Rental: January 1, 2015 to December 31, 2015

Rental Fee: \$134.30

The fee for rental of the above-described water is \$134.30 per year. Ten percent (\$13.43) will go to the Department for administrative costs, and the remainder will be paid to the lessor(s). No rental fees will be refunded once the fee is collected and the start date for a Rental Agreement has passed.

Detailed water right conditions are attached.

STATE OF IDAHO
DEPARTMENT OF WATER RESOURCES
WATER SUPPLY BANK RENTAL AGREEMENT

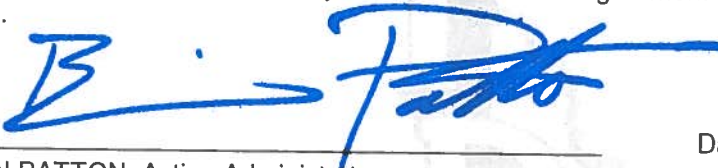
The undersigned renter agrees to use the water rented under this agreement in accordance with the Water Supply Bank rules and in compliance with the limitations and conditions of use described in this agreement:

 William McMoran Trustee 3-13-15
Signature of Renter Printed Name and Title* Date

Signature of Renter Printed Name and Title* Date

*Please provide title of signatory if signing on behalf of a company or organization or with power of attorney

Having determined that this agreement satisfied the provisions of Idaho Code § 42-1763 and IDAPA 37.02.03.030 (Water Supply Bank Rule 30), for the rental and use of water under the terms and condition herein provided, and none other, I hereby execute this Rental Agreement on behalf of the Idaho Water Resource Board.

 March 17, 2015
By _____ Date _____
BRIAN PATTON, Acting Administrator
Idaho Water Resource Board

STATE OF IDAHO
DEPARTMENT OF WATER RESOURCES
WATER SUPPLY BANK RENTAL AGREEMENT

WATER USE DETAILS

LOCATION OF POINT(S) OF DIVERSION

GROUND WATER NE $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 10 Twp 05N Rge 17E BLAINE County

BENEFICIAL USE

IRRIGATION

SEASON OF USE

04/01 TO 10/31

RENTER'S PLACE OF USE: IRRIGATION

Twp	Rge	Sec	NE				NW				SW				SE				Totals
			NE	NW	SW	SE	NE	NW	SW	SE	NE	NW	SW	SE	NE	NW	SW	SE	
05N	17E	10													2.25				2.25

Total Acres: 2.25

CONDITIONS APPLICABLE TO ALL RENTED WATER RIGHTS

1. The use of water under this agreement shall be subject to the provisions of Idaho Code § 42-1766.
2. Rental of the specified right from 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.
3. Use of water under this agreement does not constitute a dedication of the water to renter's place of use, and upon expiration of this agreement, the points of diversion and place of use of the water shall revert to those authorized under the water right and/or again be available to rent from the bank.
4. This rental does not grant any right-of-way or easement to use the diversion works or conveyance works of another party.
5. Use of water under this agreement shall not prejudice any action of the Department in its consideration of an application for transfer or permit filed by the applicant for this same use.
6. Renter agrees to comply with all applicable state and federal laws while using water under this agreement.
7. Renter agrees to hold the Board, the Director and the state of Idaho harmless from all liability on account of negligent acts of the renter while using water.
8. Renter acknowledges and agrees that the Director may terminate diversion of water if the Director determines there is not a sufficient water supply for the priority of the right or portion thereof being rented.
9. Failure of the renter to comply with the conditions of this agreement is cause for the Director to rescind approval of the rental agreement.
10. This rental agreement does not authorize the construction of a well.
11. This right when combined with all other rights shall provide no more than 0.03 cfs per acre or more than 3.5 afa per acre at the field headgate for irrigation of the lands above.
12. Use of water under this agreement 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. 37.

STATE OF IDAHO
WATER RESOURCE BOARDAPPLICATION TO RENT WATER
FROM THE WATER SUPPLY BANKRECEIVED
SEP 03 2014
DEPARTMENT OF
WATER RESOURCES

This application must be prepared in accordance with the minimum requirements listed to be acceptable for processing by the Department. Incomplete applications will be returned.

Name of Renter(s) William J. McMorrow, Trustee of the William J. McMorrow Revocable TrustMailing Address c/o Kennedy Wilson, 9701 Wilshire Blvd., Suite 700, Beverly Hills, CA 90212Phone (310) 887-6276Email kmouton@kennedywilson.com

A. DESCRIPTION OF WATER SOUGHT FOR RENT

1. Maximum Flow Rate (cfs)	Maximum Volume (ac-ft)	Nature of Use	Period of Use
<u>0.09 cfs</u>	<u>10.5 AF</u>	<u>irrigation</u>	<u>April 15</u> to <u>Oct. 31</u>
_____	_____	_____	_____ to _____
_____	_____	_____	_____ to _____
Total: <u>0.09 cfs</u>	<u>10.5 AF</u>		

2. Source of water ground water tributary to Big Wood River

3. Point(s) of Diversion:

TWP	RGE	SEC	GOVT LOT	¼	¼	¼	County
5N	17E	10			NE	SE	Blaine

4. Lands to be irrigated or place of use:

TWP	RGE	SEC	NE				NW				SW				SE				Totals
			NE	NW	SW	SE	NE	NW	SW	SE	NE	NW	SW	SE	NE	NW	SW	SE	
5N	17E	10													3.0				3.0

If the use is for irrigation, show total number of acres proposed through rental.

Total Acres 3.0

B. OWNERSHIP

1. Do you own the land at the proposed point of diversion?

Yes ☒ No ☐

If no, list owner, contact information, and attach a copy of the agreement or other written authority to use the proposed point of diversion. _____

2. Do you own the land at the proposed place of use?

Yes ☒ No ☐

If no, list owner, contact information, and attach a copy of the agreement or other written authority to use the proposed place of use. _____

C. MAP

Attach a map identifying the proposed point(s) of diversion, place(s) of use, and water diversion and distribution system details as described by this application in section A. Include legal description labels.

D. GENERAL INFORMATION

1. Please provide a description of the proposed diversion system.
Well, pump, underground sprinkler irrigation system
2. Describe any other water rights diverted through the same point(s) of diversion or used for the same purpose(s) as described above.
None
3. Will the proposed place of use receive water from any other source? Yes ☐ No ☒
If yes, describe. _____
4. If the proposed use is not for irrigation, please provide a detailed description of the proposed use and how you determined the amount of water required. Attach additional sheets if needed. N/A
5. Are there any other applications pending before the Department, such as an application for permit or transfer, for the same use(s) proposed by this rental? Yes ☐ No ☒
If yes, describe. _____
6. Was this rental application submitted in response to a Notice of Violation or a pending Notice of Violation? Yes ☐ No ☒
If yes, describe. In response to letter from IDWR re. potential unauthorized use of water dated July 3, 2014

E. RENTAL TERM

- Do you wish to rent water from the Board's bank for more than one (1) year? Yes ☒ No ☐
If yes, please specify the number of years desired through proposed rental. 5 years

I hereby assert that the information contained in this application is true to the best of my knowledge. I understand that any willful misrepresentations made in this application may result in rejection of the application or cancellation of an approval.

If this application is approved, the applicant agrees to the following:

1. The use of water under this agreement shall be subject to the provisions of Section 42-1766, Idaho Code.
2. Renter shall comply with all applicable state and federal laws while using water under this agreement.
3. Renter shall hold the Board, the Director, and the state of Idaho harmless from all liability on account of negligent acts of the renter.
4. The Director may terminate diversion of water if the Director determines there is not a sufficient water supply for the priority of the right or portion thereof being rented.
5. Failure of the renter to comply with the conditions of this agreement is cause for the Director to rescind approval of the rental agreement.
6. Renter is not authorized to use water proposed by this application until the rental fees are paid in full and the renter receives an executed copy of the agreement signed by the Director.

Signature of Applicant

William J. McMorrow, Trustee
Printed Name and Title*

8/26/14
Date

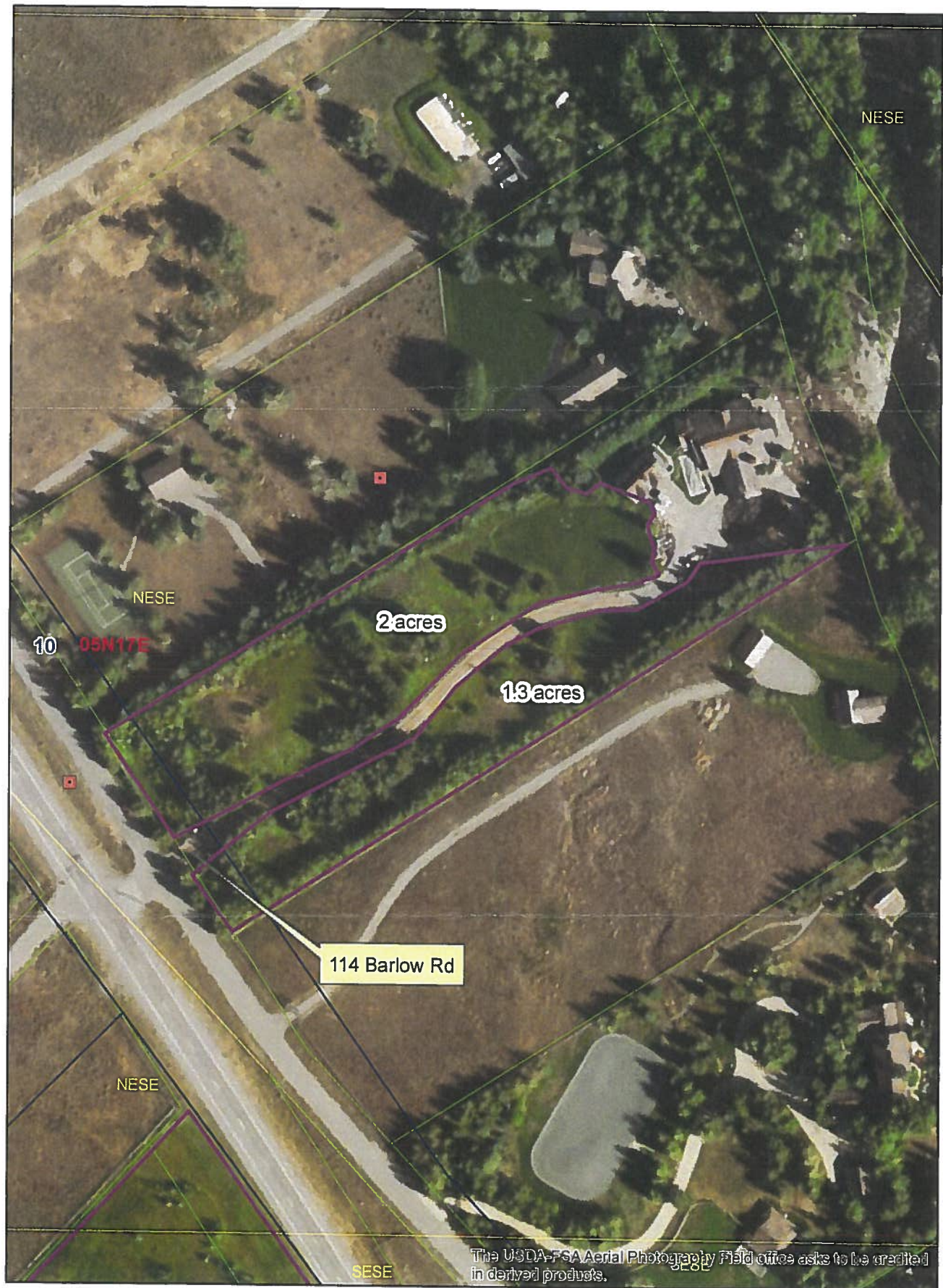
Signature of Applicant

Printed Name and Title*

Date

*Please provide title of signatory if signing on behalf of a company or organization or with power of attorney

Potential Unauthorized Use McMorrow Trust



Imagery: 2013 NAIP
Source: IDWR/T Luke/0315/2013

1 in = 150 feet





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

March 17, 2015

WILLIAM J MCMORROW TRUSTEE
WILLIAM J MCMORROW REVOCABLE TRUST
C/O KENNEDY WILSON
9701 WILSHIRE BLVD STE 700
BEVERLY HILLS CA 90212

**RE: RENTAL OF WATER FROM THE WATER SUPPLY BANK
WATER RIGHT NO. 37-8372**

Dear Renter:

Please find enclosed a receipt in the amount of **\$134.30** and a copy of a fully executed Water Supply Bank Rental Agreement in connection with the rental of 7.9 acre-feet of water for irrigation during 2015. Upon receipt of this fully executed agreement, you are authorized to divert water in compliance with the conditions of water use described in the agreement.

Pursuant to the Water Supply Bank Rules, 90% or \$120.87 of the rental fee will be paid to the lessor(s) and 10% or \$13.43 will be retained by the Department to offset administrative costs.

If you have any questions, please contact me at (208) 287-4910.

Sincerely,

for Dana S. Holley

Clay Webster
Water Resource Agent
WSB Process Point of Contact

Enclosure(s): Receipt No.C100082
Rental Agreement (copy)

c: Sascha Marston – Fiscal
Allen Merritt – IDWR Southren Regional Manager
Watermaster Kevin Lakey – State Water District No. 37
Kent Y Mouton Esq - Kennedy – Wilson Inc
Jim Speck – Speck & Aanestad
Rob Whitney – IDWR Compliance Bureau

KENT Y. MOUTON, ESQ.
c/o Kennedy-Wilson, Inc.
9701 Wilshire Blvd., Suite 700
Beverly Hills, California 90212
(310) 887-6276

RECEIVED

MAR 16 2015

DEPARTMENT OF
WATER RESOURCES

March 13, 2015

VIA FEDEX

Mr. Clay Webster
State of Idaho
Department of Water Resources
322 East Front Street
Boise, Idaho 83720-0098

Re: Application to Rent Water from the Water Supply Bank
Water Right No.: 37-8372

Dear Mr. Webster:

I am Bill McMorrow's personal attorney. Enclosed is Bill's signed copy of the Water Right Application that you forwarded to him together with my check made payable to the Department of Water Resources in the amount of \$134.30 (Bill did not have his checkbook on him at the time he signed). I would appreciate it if you would sign and return a copy of the enclosed Application. If you have any questions regarding the foregoing, please do not hesitate to call.

Sincerely yours,


Kent Mouton

KYM:rcz

Enclosures



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

March 2, 2015

WILLIAM J MCMORROW TRUSTEE
WILLIAM J MCMORROW REVOCABLE TRUST
C/O KENNEDY WILSON
9701 WILSHIRE BLVD STE 700
BEVERLY HILLS CA 90212

RE: APPLICATION TO RENT WATER FROM THE WATER SUPPLY BANK
WATER RIGHT NO. 37-8372

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

Dear Applicant:

The Department of Water Resources acknowledges receipt of your application to rent water from the Water Supply Bank. **I have enclosed a Water Supply Bank Rental Agreement for your review and signature.** Upon signature and return of the original agreement, together with the rental fee described below, the Department will also sign the original agreement and return an executed copy to you. Execution of the agreement and compliance with the conditions of approval authorize diversion and use of water as provided in the agreement.

A rental fee of \$134.30 was calculated based on the current rental rate of \$17.00 per acre-foot times a diversion volume of 7.9 acre-feet.

Please send a check for \$134.30 made payable to the Idaho Department of Water Resources, **together with the signed rental agreement, within 14 days** so I can complete processing. Pursuant to the Water Supply Bank Rules, 90% or \$120.87 of the rental fee will be paid to the lessor(s) and 10% or \$13.40 will be retained by the Department to offset administrative costs.

If you have any questions, please contact me at (208) 287-4910.

Sincerely,

Clay Webster
Water Resource Agent
WSB Process Point of Contact

Enclosure(s)

c: IDWR Front Desk
James Speck – Speck and Aanestad

Webster, Clay

From: Merritt, Allen
Sent: Friday, February 27, 2015 2:56 PM
To: Webster, Clay
Subject: RE: Regional and Watermaster Comments for McMorow Rental 37-8372

I have no issue with this.

From: Webster, Clay
Sent: Friday, February 27, 2015 9:21 AM
To: Merritt, Allen; Kevin Lakey
Subject: Regional and Watermaster Comments for McMorow Rental 37-8372

Allen and Kevin,

We are currently processing the rental application for The William J McMorow Revocable Trust. Do you have any concerns?

Sincerely,

Clay Webster

Water Resource Agent

clay.webster@idwr.idaho.gov

208-287-4910

Idaho Department of Water Resources (IDWR)

322 E. Front Street

P.O. Box 83720

Boise, ID 83720-0098

208-287-4800

www.idwr.idaho.gov

MEMORANDUM

To: Water Right(s) 37-8372

From: Clay Webster

Date: 2/19/2015

Re: Review & Analysis of Application to Rent Water from the State Water Supply Bank

PURPOSE/NARRATIVE: This application was received from Speck & Aanestad for the William J McMorrow Revocable Trust on September 3, 2014. They have proposed renting 0.09 cfs (this may be a typo) and 10.5 af for the irrigation of 3 acres in TWP 5N Rge 17E Section 10 NESE. They have identified a companion lease application for 37-8372 from the Toby B Lambert Living Trust for 5 years, however this lease was only for 2.25 acres for 1 year. The rental can only be approved for one year.

I contacted Jim Speck, the attorney for this rental to get clarification on the available amount. He requested that I process the rental for the entire amount leased for 2015. He also stated that his client will limit his irrigation to 2.75 acres in 2015. This will include his .5 acre domestic exemption and the 2.25 acres for this rental. See E-mail dated 2/20/2015.

AUTHORITY TO FILE: This application was signed by William J McMorrow, a trustee of the William J McMorrow Revocable Trust, current owner of this water right. According to current tax-lot data the rental POU is owned by the William J McMorrow Revocable Trust. The well is located on the same lot.

WATER RIGHT VALIDITY: 2.25 acres of WR 37-8372 was leased into the WSB this year, for 1 year. This right was decreed in 2008 and was leased into the bank in 2013 through 2014. It has been offered again for the 2015 season by the new owner of this right. I checked last year's Land Sat imagery and found that the leased acres were being idled.

INJURY TO OTHER WATER RIGHTS: The proposed Rental POD and the Leased Right are located in the Big Wood River GWMA. Both the Lease POD and the Rental POD fall within the Ketchum Zone of the Water Supply Bank Interim Ground Water Rental Policy for the Wood River Valley. Therefore, no stream depletion analysis is required. No injury is apparent.

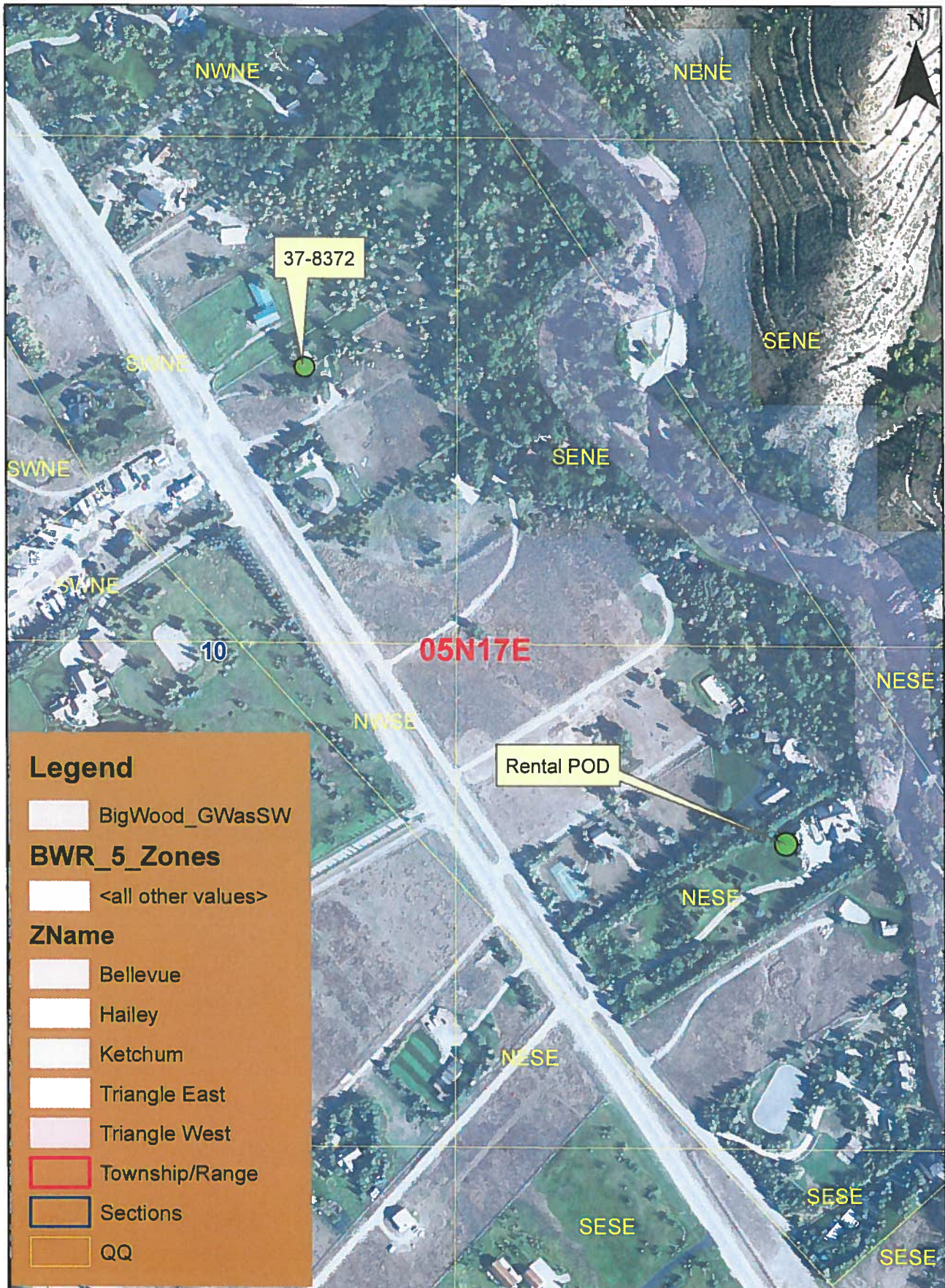
ENLARGEMENT OF USE: No enlargement is evident through the rental.

LOCAL PUBLIC INTEREST: Review staff has no information to suggest this application is inconsistent with the local public interest.

BENEFICIAL USE/CONSERVATION OF WATER RESOURCES: The rental appears consistent with the conservation of water resources in Idaho.

DEPARTMENT STAFF OR WATERMASTER COMMENTS: The rented right is subject to Water District # 37.

William J McMorrow Revocable Trust Rental 2015



Webster, Clay

From: Jim Speck [jim@speckandaanestad.com]
Sent: Friday, February 20, 2015 1:20 PM
To: Webster, Clay
Cc: kmouton@kennedywilson.com
Subject: RE: William J McMorrow Revocable Trust Rental Application for 37-8372

Clay,

In case Remington did not tell you the lease application for 37-8372 & the McMorrow rental application are to be treated as "companion applications" for 2015. 37-8372 is to be rented ONLY to McMorrow and to no one else. McMorrow will rent the entire portion of this right that is leased to the Bank and will limit his irrigation in 2015 to 2.75A (which includes his 0.5A domestic exemption). Let me know if you have any more questions and thank you for getting right to this application.

Jim

-----Original Message-----

From: Webster, Clay
Sent: Friday, February 20, 2015 11:41 AM
To: Jim Speck
Cc: kmouton@kennedywilson.com

Mr. Speck,

I am currently reviewing the rental application for the above mentioned water right. I have ran into a couple of issues with this rental that we will need to address. The first is the lease for this water right is only for one year. I will only be able to process the rental for one year. The second issue is the rental application requested 0.09 cfs. (I believe this was a typo and the requested amount should have been 0.04 cfs.) 10.5 af to irrigate 3 acres.

87-8372's lease is for 0.03cfs and 7.9 af to irrigate 2.25 acres. This is the only available water located in this reach of the river. This will leave your client .75 acres short of what was requested under the rental application. Do you want me to proceed with renting the available water for this lease to your client? Thank you for your assistance.

Sincerely,
Clay Webster
Water Resource Agent
clay.webster@idwr.idaho.gov<<mailto:clay.webster@idwr.idaho.gov>>
208-287-4910
Idaho Department of Water Resources (IDWR)
322 E. Front Street
P.O. Box 83720
Boise, ID 83720-0098
208-287-4800
www.idwr.idaho.gov<<http://www.idwr.idaho.gov>>

Buyer, Remington

From: Jim Speck [jim@speckandaanestad.com]
Sent: Wednesday, January 14, 2015 3:39 PM
To: Buyer, Remington
Cc: Toby Lambert; Mouton, Kent
Subject: RE: Regarding your inquiry
Attachments: 37-8372 NCO - signed.pdf

Remington,

Attached is the Notice of Change in Water Right Ownership which we will file with the WSB lease application for 37-8372. Please let me know the outcome of the WRB meeting next week as soon as you can.

Thank you.

Jim

-----Original Message-----

From: Buyer, Remington
Sent: Wednesday, January 14, 2015 3:03 PM
To: 'Jim Speck'

Hi Jim,

The Water Supply Bank understands that the McMorrows would like to rent water in 2015. In your previous correspondence (attached) you indicated that the McMorrows would like to rent water rights owned by the Lamberts. The map attached and the water right specified (37-8372) belong to Murfus Partners LLC. Did you intend that the McMorrows would like to rent the Murfus Partners LLC water right? Did the Lamberts recently purchase this water right from Murfus Partners LLC?

The McMorrows' rental request can be matched up to water right 37-8372 once that water right is leased back to the Bank. The previous lease for 37-8372 expired at the end of 2014 so we will need to renew the lease before we can match up the McMorrows rental request to that water right. If you submit a lease proposal for 37-8372, I will match up the McMorrows rental request to this lease.

Regarding the rental of 37-8372 by the McMorrows, here is the latest regarding data requirements for review of ground water rental requests in the Wood River Valley in 2015:

In consideration of the Big Wood River Ground Water Management Area, which requires that new diversions of ground water avoid injury to prior appropriators, the Bank is endeavoring to ensure that ground water impacts are taken into account when reviewing ground water rental requests. Standard operating procedures regarding rental requests that involve ground water modeling and/or stream depletion analyses is to submit all such Water Supply Bank rental requests to IDWR's Hydrology section for review. To address the potential for ground water rental requests from the Wood River Valley to become backlogged for review by IDWR hydrologists, the Water Supply Bank has been working with IDWR's Hydrology section to develop a standardized approach to completing stream depletion analyses. Such an approach will simplify how ground water renters can complete a stream depletion analysis on their own without the need to obtain the services of a consulting hydrologist, and it will simultaneously allow water resource agents working within the Water Supply Bank to avoid submitting rental requests to IDWR hydrologists and instead complete a review of such applications on their own within the Bank. Through a standardized approach to completing and

*Christine,
Can you please watch
for water right 37-8372
coming in for lease - we
want to match it to a
rental request we are currently
holding.*

reviewing stream depletion analyses for ground water rental requests, the Bank can expedite our review of such requests.

An interim ground water rental policy for 2015 has been developed to standardize how such rental requests can be completed. This interim guidance calls for an evaluation of stream depletion analyses for all ground water rentals where the distance between the lease and rental points of diversion is more than 657 feet (200 meters). The Water Supply Bank Subcommittee of the Idaho Water Resource Board met last week to consider this ground water rental policy and they recommended that full Idaho Water Resource Board be provided an opportunity to hear about this ground water rental policy prior to taking any action. The IWRB will meet next Thursday, January 22 in Boise to consider the interim policy.

If the IWRB takes an action to authorize implementing the interim ground water rental policy, the effect on the McMorrows rental request for 37-8372 would be that a stream depletion analysis would be required for the proposed rental because the distance between the lease and rental PODs is greater than 657 feet. There are two ways to satisfy the ground water impact (stream depletion) analysis requirements for this rental request: 1) complete a stream depletion analysis per the guidance issued under the interim ground water rental policy, or, 2) submit an alternative ground water impact analysis/stream depletion analysis. In the first instance, you can complete the stream depletion on your own by downloading free software called the Integrated Decision Support Alluvial Water Account System (IDS AWAS) <<http://www.ids.colostate.edu/projects.php?project=awas/awas.html>>, and the Bank will be able to move forward with reviewing the rental request without referring the rental request to IDWR Hydrologists for their review. In the second instance, the Bank will submit the rental request for review by IDWR Hydrology.

The Bank is working on simplifying the instructions on how ground water rental applicants can complete their rental applications and will provide such guidance in the form of a public service announcement, to be issued if and after the IWRB takes an action to approve an interim ground water rental policy for the Wood River Valley. I will be happy to provide you with such information following next week's Board meeting.

If you would like to immediately move forward with the rental request of 37-8372 by the McMorrows, please ensure that a stream depletion analysis of the lease and rental PODs is completed and submitted to accompany the lease renewal of 37-8372. The stream depletion analysis can be forwarded to IDWR's Hydrology section once the lease application review is completed.

Please feel free to contact me if you have any further questions,

Remington Buyer
Water Supply Bank Coordinator
Idaho Department of Water Resources
322 East Front Street, Boise, ID, 83720
T: (208) 287-4918 | F: (208) 287-6700

Attachment(s): Re: Water Right 37-8372 - Toby Lambert Living Trust.msg



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

October 8, 2014

WILLIAM MCMORROW
CO KENNEDY WILSON
9701 WILSHIRE BLVD STE 700
BEVERLY HILL CA 90212

RE: Application to Rent Water from the Water Supply Bank in the Big Wood River Basin

Dear Applicant:

On September 3, 2014, the Idaho Department of Water Resources (Department) received your Water Supply Bank (Bank) rental application. The rental application indicates that you would like to rent ground water for the purpose of irrigating a parcel of land in the upper Big Wood River Basin for the 2014 through 2018 irrigation seasons.

Bank applications must be reviewed in accordance with Idaho Code § 42-1763 and Rule 30 of the Department's Administrative Rules for the Bank (IDAPA 37.02.03). This includes consideration of whether the proposed use will reduce the quantity of water available under existing water rights.

The reach of the Big Wood River upstream from Hailey, also known as the upper Big Wood River Basin, contains two minimum stream flow (MSF) water rights held by the Idaho Water Resource Board (Board). The MSF water rights extend from Warm Springs Creek downstream approximately 18 miles to the District 45 Canal diversion. The MSF water rights are numbered 37-7919 and 37-8307. The above referenced water rights establish 189.0 cubic feet per second (cfs) as the MSF for a section of the Big Wood River. In recent years, flows in the Big Wood River dropped at or below the established MSF during the irrigation season for periods of about 30 days or more.

Consideration for the MSF in the Big Wood River must be part of the evaluation of your application because the Big Wood River upstream of Hailey is an effluent stream, meaning ground water is hydraulically connected to the river. Due to the connection between groundwater and surface water in this area, pumping upstream of Hailey is likely to cause injury to the MSF water rights.

In order to ensure that the rental of ground water will not result in injuring the MSF water rights, the Department is requiring a hydrologic analysis of most rental applications in the Big Wood River Basin. In regard to your application, the Bank does not have any leased water rights available to fulfill your rental without requiring a hydrologic analysis. Because there is insufficient time to conduct the required analysis before the close of the irrigation season, we are no longer processing applications that propose to divert ground water in the Big Wood River Basin for 2014.

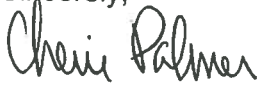
We will retain your application for the 2015 irrigation season in order to preserve your place in the processing queue. However, a ground water model that will facilitate the necessary hydrologic analysis is still being worked on by the Department. Consequently, the knowledge and resources to process a rental application are not available at this time.

Page 2

The Department is optimistic that guidelines will be set forth for rental applicants to use in the analysis by the beginning of the 2015 irrigation season. Of course the Department will notify you as soon as we know what data and analysis will be necessary to support a rental application in the Big Wood River Basin.

If you have any questions, please contact me at (208) 287-4944.

Sincerely,

A handwritten signature in black ink that reads "Cherie Palmer". The signature is written in a cursive, flowing style.

Cherie Palmer
Water Rights Supervisor
WSB Process Point of Contact

cc via email: IDWR Regional Office
IDWR Compliance Bureau
Jim Speck- Attorney

SPECK & AANESTAD
A PROFESSIONAL CORPORATION
ATTORNEYS

JAMES P. SPECK
jim@speckandaanestad.com
DOUGLAS J. AANESTAD
doug@speckandaanestad.com

120 EAST AVENUE
POST OFFICE BOX 987
KETCHUM, IDAHO 83340

TELEPHONE
(208) 726-4421
FACSIMILE
(208) 726-0752

August 29, 2014

RECEIVED

SEP 03 2014

DEPARTMENT OF
WATER RESOURCES

Remington Buyer
Water Supply Bank Coordinator
Idaho Department of Water Resources
322 E. Front St.
Boise, Idaho 83720-0098

Re: William J. McMorrow, Trustee of the William J. McMorrow Revocable Trust

Dear Remington:

Enclosed you will find the original and one copy of an Application to Rent Water From the Water Supply Bank by William J. McMorrow, Trustee of the William J. McMorrow Revocable Trust. The attached map, which was prepared by Rob Whitney, depicts the three acres within which Mr. McMorrow would irrigate three acres with the rented Water Right. The point of diversion is a well located somewhere on that lot.

Please receipt date-stamp the copy of the Application and return it to me in the postage prepaid self-addressed envelope I have included for that purpose. If you have any questions about the Application please contact me by email as I will be traveling until September 23, 2014.

Thank you.

Sincerely,

SPECK & AANESTAD
A Professional Corporation

By: 
James P. Speck

Enclosure

cc: R. Whitney w/encl.
K. Mouton w/encl. (By e-mail)