

ACKNOWLEDGEMENT AND AGREEMENT

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AUG 01 2014
DEPARTMENT OF
WATER RESOURCES

To: Idaho Department of Water Resources (Department)

Subject: The use in connection with Water Right Nos. 61-2188 and 61-7151 once Transfer No. 78273 has been approved by the Department and the disposition of the Water Supply Bank Lease.

On July 20, 2006, portions of Water Right Nos. 61-2188 and 61-7151 were leased into the Water Resources Board's Water Supply Bank (Bank) for an indefinite term.

Transfer No. 78273 proposes to re-locate Water Right Nos. 61-2188 and 61-7151 to the city of Mountain Home's municipal service boundary.

On April 17, 2014, the entire Leased portions of Water Right Nos. 61-2188 and 61-7151 were rented to a third party until December 31, 2016.

Transfer No. 78273 can move towards Departmental approval; however, the city of Mountain Home acknowledges that Water Right Nos. 61-2188 and 61-7151 must adhere to the following schedule during years 2015 and 2016 so long that the rental agreement is renewed for each of those years:

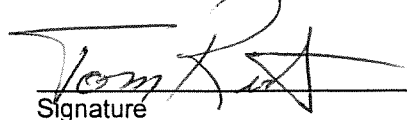
- After the approval of Transfer No. 78273, the exercise of Water Right Nos. 61-2188 during said years shall be limited to 1.21 cfs, 269.6 af, and 60.6 acres.
- After the approval of Transfer No. 78273, the exercise of Water Right No. 61-7151 during said years shall be limited to 0.52 cfs, 182.1 af, and 45.4 acres.
- During 2015 and 2016 Water Right Nos. 61-2188 and 61-7151 will have a combined limit of 1.21 cfs on 106.0 acres pursuant to the water right conditions and Lease Contract.

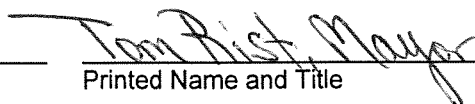
In the event the renter does not continue their rental agreement in 2015 or 2016 involving Water Right Nos. 61-2188 and 61-7151 the Lease Contract will be released from the Bank and the city may make full use of their water rights by the beginning of the irrigation season.

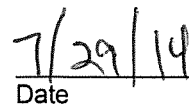
The city also acknowledges and agrees that the Lease of Water Right Nos. 61-2188 and 61-7151 will be discontinued once the rental concludes at the end of 2016 and the city may make full use of their water rights by the beginning of the irrigation season 2017. If the city wishes to keep the water rights in the Bank, new Lease applications can be filed to bring the Lease in conformance with the modified elements of the water rights.

The city also acknowledges and agrees that the rental payments from the Bank for 2014 shall be paid to the Lessor described in the Lease Contract, Jay Brown. Furthermore, beginning in the calendar year following an acknowledged change in water right ownership, compensation for the rental will go to the city.

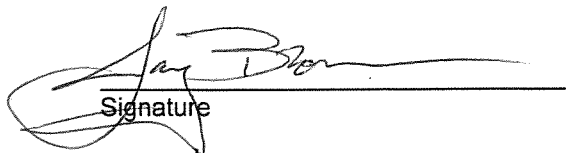
CITY OF MOUNTAIN HOME

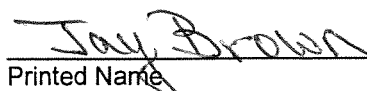

Signature

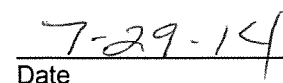

Printed Name and Title


Date

JAY BROWN


Signature


Printed Name


Date