WATER SUPPLY BANK LEASE CONTRACT

This Lease Contract ("**Lease**") is effective January 13, 2014, between the Idaho Water Resource Board ("**Board**"), and

Lessor: TIMBERLINE DEVELOPMENT LLC
C/O OLSON & CO CPA'S
132 SW 5TH AVE STE 100
MERIDIAN ID 83642
(208) 315-0991

RECEIVED
APR 18 2014
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.

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	Lease Rate	Lease Volume	Acre Limit	Total Leased Acres
65-8053	0.28 CFS	NA	NA	14.0 AC
Combined Lease Totals:	**0.28 CFS**	**NA**	**NA**	**14.0 AC**

The water rights described herein shall be available for rental from the Bank as follows:
Authorized Period of Use under Lease: April 15 to October 15

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**: This Lease shall take effect when both parties have signed it and shall continue in effect until December 31, 2018.

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. **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.

TIMBERLINE DEVELOPMENT
C/O OLSON & CO CPA'S
132 SW 5TH AVE STE 100
MERIDIAN ID 83642

By _____ Date 4-17-2014

Printed Name LARRY M. MARQUEM Mgr. Title Manager

IDAHO WATER RESOURCE BOARD
322 East Front Street
P.O. Box 83720
Boise, ID 83720-9098

By _____ Date 04-18-2014
Brian Patton, Acting Administrator
Idaho Water Resource Board

Lease approved by IDWR _____ Date 04-18-2014

ATTACHMENT A

WATER RIGHT NO. 65-8053

WATER SUPPLY BANK CONDITIONS OF ACCEPTANCE

The water right or portion thereof leased to the bank is described as follows:

Lessor: TIMBERLINE DEVELOPMENT
C/O OLSON & CO CPA'S
132 SW 5TH AVE STE 100
MERIDIAN ID 83642
(208) 315-0991

Priority Date: 06/01/1939

Source: MUD CREEK **Tributary to:** NORTH FORK PAYETTE RIVER

BENEFICIAL USE	From	To	Diversion Rate	Volume
IRRIGATION	04/15	to 10/15	0.28 CFS	NA
		Total:	**0.28 CFS**	**NA**

LOCATION OF POINT(S) OF DIVERSION:
MUD CREEK NW¼SE¼ Sec.32 Twp 17N Rge 03E VALLEY County

PLACE OF USE TO BE IDLED UNDER THIS LEASE: 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	
16N	03E	17	14.0																14.0

Total Acres: 14.0

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, the lease term expires, or upon request from the lessor to change the term of the lease, 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.
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.
    b. If a change in ownership is processed by the Department during a rental season, rental payment will be made to the person or entity who is the lessor of record at the beginning of that rental season.
    c. New lessor(s) of record will receive payment after the following rental season.

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.

Form 42-1761-3
01/13

RECEIVED
JAN 13 2014
DEPARTMENT OF WATER RESOURCES

STATE OF IDAHO
WATER RESOURCE BOARD

WATER SUPPLY BANK
REQUEST TO EXTEND LEASE TERM

ONE FORM PER WATER RIGHT

This form is a statement that the lessor requests an extension of a Water Supply Bank ("Bank") lease for the water right identified below. A water right remains in the Bank for the accepted lease period unless released earlier by the Water Resource Board or until the lessor submits a request in writing to the Department of Water Resources to release the right from the Bank. However, if a water right is currently rented, the portion of the right being rented must remain in the Bank for the duration of the rental agreement.

If requesting a change in lease amounts (reducing or increasing acreage, etc.), you must file an Application to Sell or Lease a Water Right to the Water Supply Bank. This form can be found on IDWR's website at: www.idwr.idaho.gov

Water Right No: 65-8053 Telephone No: 208-315-0991

Name(s) of Lessor(s): Timberline Development LLC. / c/o Olsen + Co CPA's

Mailing Address: 132 S.W. 5th Ave Ste 100

City: Meridian State: ID Zip: 83642

Current Expiration Date: 12/31/2013

Requested Expiration Date: 12/31/2018
Lease term not to exceed 5 years.

All lease extension request forms must be signed and submitted with the following REQUIRED items:

1. Plat map, survey map or aerial photograph clearly showing the specific acres proposed to be idled for the duration of this lease.
2. Filing fee of $250.00. If you are submitting more than one lease application and the rights have a common place of use or common diversion rate or common diversion volume, the combined maximum fee is $500.00.
3. A completed Internal Revenue Service (IRS) Form W-9 (attached). If your water right is rented, we will be unable to issue payment to you without a current W-9 form.

The lessor requests that the above water right remain in the Bank through the date referenced above.

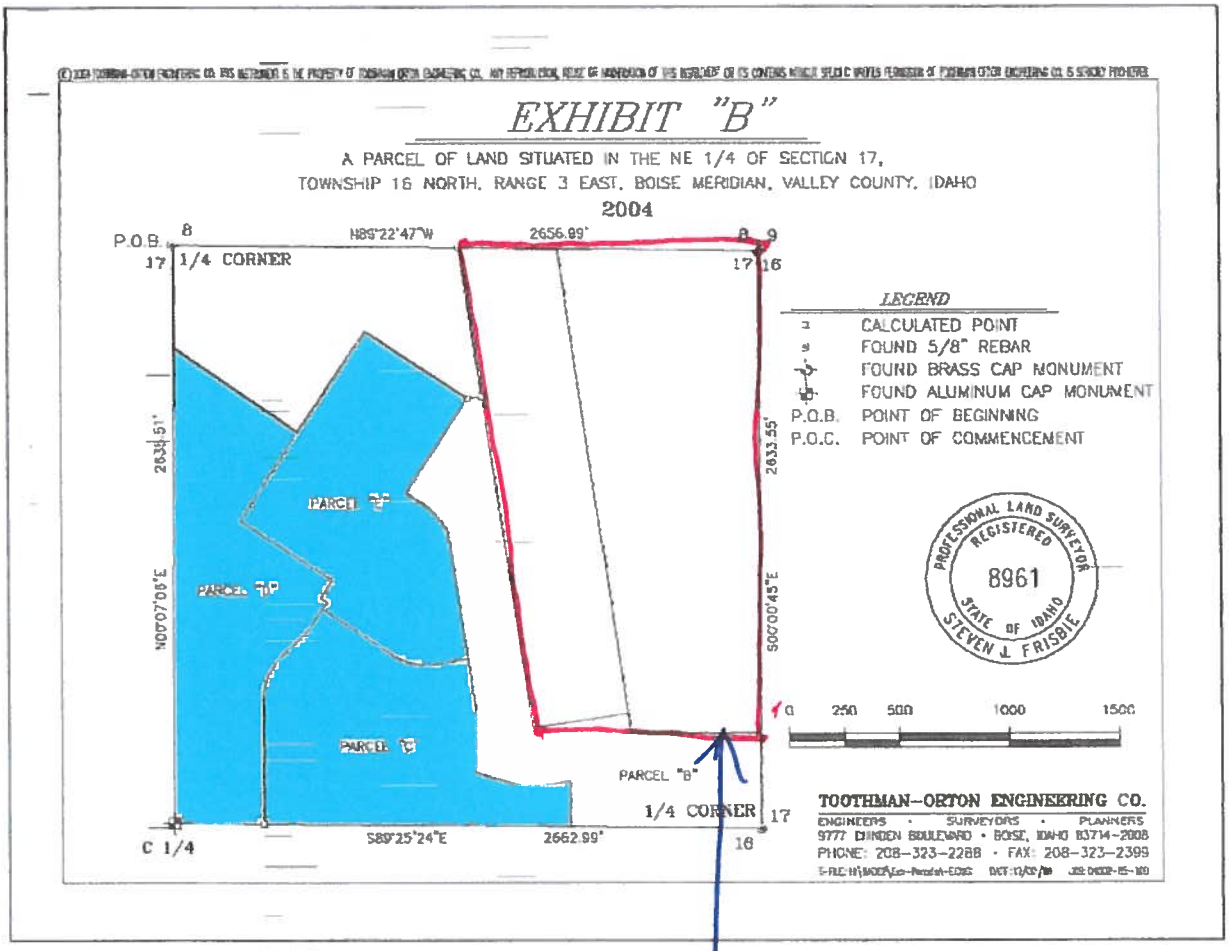
Signature of Lessor	Printed Name and Title*	Date
[signature]	Larry M. Mangum / Manager	1/6/2014

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

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

FOR OFFICE USE ONLY

Filing fee received by: dg Date: 1/13/14 Receipt No: C098162



Parcels D and E have frontage on the access road to Tamarack. Parcel C is an interior lot. The site is generally level and at road grade. It appears to have good soil bearing characteristics as evidenced by construction on adjacent parcels.

The proposed layouts for the area and immediate neighborhood are shown below.

Water Right 65-8053
Irrigation
41 Ac.

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

April 21, 2014

TIMBERLINE DEVELOPMENT LLC
C/O OLSON & CO CPA'S
132 SW 5TH AVE STE 100
MERIDIAN ID 83642

RE: WATER SUPPLY BANK LEASE CONTRACT FOR RIGHTS 65-8053, 65-23370 and 65-23372

Dear Lessor:

Water Rights 65-8053, 65-23370 and 65-23372 were leased into the Water Supply Bank on January 13, 2014 in accordance with the executed original Lease Contract enclosed. **Your water rights as described on the Lease Contract are considered leased into the Bank and should remain unused until they are formally released from the Bank.**

The rights will automatically be released from the Bank on **December 31, 2018,** unless the rights are released earlier by the Board, or upon your request. **Please note your rights may not be available for immediate release if they have been rented.** 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. This form is available from our public website at www.idwr.idaho.gov.

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 me at 287-4944.

Sincerely,

Cherie Palmer
Senior Water Resource Agent
WSB Process Point of Contact

Enclosure: Executed Lease Contract

c: Timberline Development LLC- Donnelly
John Westra- IDWR Western Regional Manager

Hersley, Jean

From: Lester, Steve
Sent: Friday, March 21, 2014 12:55 PM
To: Hersley, Jean
Subject: RE: WSB Lease for Timberline Development 65-8053, 65-23370 and 65-23372

Jean:

I guess you mean reduced number of acres for lease since some of those rights are needed to cover common areas that are not allowed to be irrigated under permit 65-22888. If so, looks ok to me. Otherwise, please provide more information for comments.

Thx

Steve

From: Hersley, Jean
Sent: Tuesday, March 11, 2014 9:21 AM
To: Lester, Steve
Subject: WSB Lease for Timberline Development 65-8053, 65-23370 and 65-23372

I have attached the review memo's for these lease extension requests.
On 65-8053, Timberline wanted the entire right leased into the Bank. Reviewing the aerial photography indicated the common areas were being irrigated. I contact Mr. Mangum and he said the ground was being irrigated with a ground water source, water right permit 65-22888. I reduce the total number of acres from 16 to 14 to accommodate for the irrigation of these common areas.
Please respond within 10 to 15 days.

Jean Hersley
Idaho Dept Water Resources
Technical Records Specialist II
208-287-4942

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 21, 2014

TIMBERLINE DEVELOPMENT LLC
C/O OLSON & CO CPA'S
132 SW 5TH AVE STE 100
MERIDIAN ID 83642

RE: APPLICATION(S) TO LEASE WATER RIGHT(S) 65-8053, 65-23370 and 65-23372 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 BOTH 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 rights will automatically be released from the Bank on **December 31, 2018,** unless the rights are 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 me at 287-4944.

Sincerely,

Jean Hersley for

Cherie Palmer
Senior Water Resource Agent
WSB Process Point of Contact

Enclosure: Proposed Lease Contracts

RECEIVED
MAR 14 2014
DEPARTMENT OF
WATER RESOURCES

IDAHO DEPARTMENT OF WATER RESOURCES

RECOMMENDATION OF WATERMASTER

WSB Lease Application Water Right No: 65-8053, 65-23370 + 65-23372

Applicant's Name: Timberline Development L.L.C.

Watermaster's Recommendation:

a) X I do not oppose approval of this application.

b) _____ I do not oppose approval of this application if conditioned as follows:

c) _____ I oppose approval of this application for the following reasons:

d) _____ Additional comments:

Dated this 13th day of March, 2014

Water District No. 65

Ron Shurtliff
Watermaster's signature

MEMORANDUM

To: Water Right No(s). 65-8053

From: Jean Hersley through Pam Skaggs

Date: March 11, 2014

Re: Review of Applications to Lease Water Rights to the State Water Supply Bank

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PURPOSE/NARRATIVE: the Department received this extension request on January 13, 2014. After reviewing the aerial photography it looks like some irrigation has taken place. After speaking with Mr. Mangum, he said the common areas were receiving water from a ground water source, water permit 65-22888. I will reduce the total number of acres to be leased for the common areas that continue to receive water, which is 2.0 acres.

AUTHORITY TO FILE: The application was signed by Larry Mangum, manager of Timberline Development LLC.

WATER RIGHT VALIDITY: The water right was decreed in 2000, acres were clearly irrigated in 2004 imagery before any development, and leased to the Bank from 2008-2013 prior to any forfeiture concerns. Current aerial photography indicates irrigation has taken place within the place of use under the ground water permit.

INJURY TO OTHER WATER RIGHTS: No injury is apparent.

ENLARGEMENT OF USE: Review of ground water Permit 65-22888 records shows it was proposed to be the sole source for domestic developed property uses. The petition to remove supplemental conditions from the original permit approval in 2004 notes that surface water will not be used for the developed lots or domestic uses, but will be used to the extent available in the common areas with ground water. The 14 leased acres under this right were replaced by the ground water system as the property was developed and the surface water right was placed in the bank before forfeiture was an issue. The irrigated common areas of 2 acres within the rights common place of use have not been included in the lease to avoid enlargement concerns.

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 lease appears consistent with the conservation of water resources in Idaho.

DEPARTMENT STAFF OR WATERMASTER COMMENTS: The leased right(s) are subject to Water District # 65.

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 11, 2014

RON SHURTLEFF
102 N MAIN ST
PAYETTE ID 83661

RE: Water Supply Bank Lease Applications Water Right No(s). 65-8053, 65-23370 and 65-23372

Dear Watermaster:

The Idaho Department of Water Resources received several Applications to Sell or Lease Water Rights to the Water Supply Bank from Timberline Development LLC. They have requested all rights in their entirety to be leased to the Bank until December 31, 2018. However, I reduced the amount of 65-8053 from 16 acres to 14 acres as the common areas are receiving water from a ground water source under water right permit 65-22888. We will allow the entirety of water rights 65-23370 and 65-23372 to be leased to the Bank.

Please let us know if you have any objections or concerns regarding this application within 10 days. Review can be completed as soon as your response is received. Prompt response to this request is appreciated so your recommendation can be considered during the review process. I have enclosed a recommendation form for your convenience.

If after 10 days from the date of this letter the department has not received your written recommendation, the Department will presume you do not oppose approval of the application and you have no comments for the department to consider.

If you have any questions about this application, please contact this office or the applicant.

Sincerely,

Jean Hersley
Technical Records Specialist II

Enclosure

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

February 27, 2014

TIMBERLINE DEVELOPMENT LLC
C/O OLSON & CO CPA'S
132 SW 5TH AVE STE 100
MERIDIAN ID 83642

RE: Water Supply Bank Lease Extension Request for 65-8053

Dear Water Right Holder:

On January 13, 2014, the Department of Water Resources received your request to extend your Bank leases until 2018. On February 3, 2014, the Department sent a request for additional information. Aerial photography indicates that the land under water right 65-8053 is being irrigated. I am enclosing a map for your reference. Under your previous lease agreement, 16 acres of irrigation for water right 65-8053 needs to be idled. Where has the property been receiving water for irrigation?

Please provide the information within 10 days of this letter or the application will be returned. You can send the information to the address above to my attention, fax to (208) 287-6700 or email to jean.hersley@idwr.idaho.gov.

If you have any questions, please call me at (208) 287-4942. Thank you.

Sincerely,

Jean Hersley

Jean Hersley
Technical Records Specialist II

Enclosure

c: Timberline Development LLC- Donnelly

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

February 3, 2014

TIMBERLINE DEVELOPMENT LLC
PO BOX 145
DONNELLY ID 83615

RE: Water Supply Bank (Bank) Lease Extension Request for ~~63~~ 45-8053

Dear Water Right Holder:

On January 13, 2014, the Department of Water Resources (Department) received your request to extend your Bank leases until 2018. During the review process, aerial photography indicates some of the place of use for water right 63-8053 has been irrigated. I am enclosing a map for your reference. Please let me know where the properties and common areas have been receiving the water for irrigation. 16 acres of irrigation needs to be idled under your lease agreement.

Please provide the information within 14 days of the date of this letter so the water will be available to rent for the 2014 irrigation season or the application will be returned. You can send the information to the address above to my attention, fax to (208) 287-6700 to my attention or email to jean.hersley@idwr.idaho.gov.

If you have any questions, please call me at (208) 287-4942. Thank you.

Sincerely,

Jean Hersley
Technical Records Specialist II

Enclosure