

MEMORANDUM

Date: January 16, 2014
To: Rights 61-2188 & 61-7151
From: Pam Skaggs 
Re: Water Supply Bank Lease Discussion

Mr. Jay Brown met with me to discuss the letter he received from Cherie Palmer regarding the location of the 163.0 acres leased to the Water Supply Bank (WSB) in 2003. The acres were not specifically identified when originally leased to the bank.

Mr. Brown is the current owner of Rights 61-2188 and 61-7151 which are limited to the combined irrigation of 233.2 total acres per irrigation season. He submitted the map that was mailed to him identifying that the pivot provided current irrigation of 106.0 acres. He also noted on the map that the remaining 127.2 acres authorized for irrigation under these rights should be considered part of the leased 163.0 acres.

Mr. Brown currently owns 236.3 acres of the 260.0 acre permissible place of use for these rights. 236.3 acres less 106.0 acres irrigated leave 130.3 acres that are designated as the location of the 127.2 leased acres on his property.

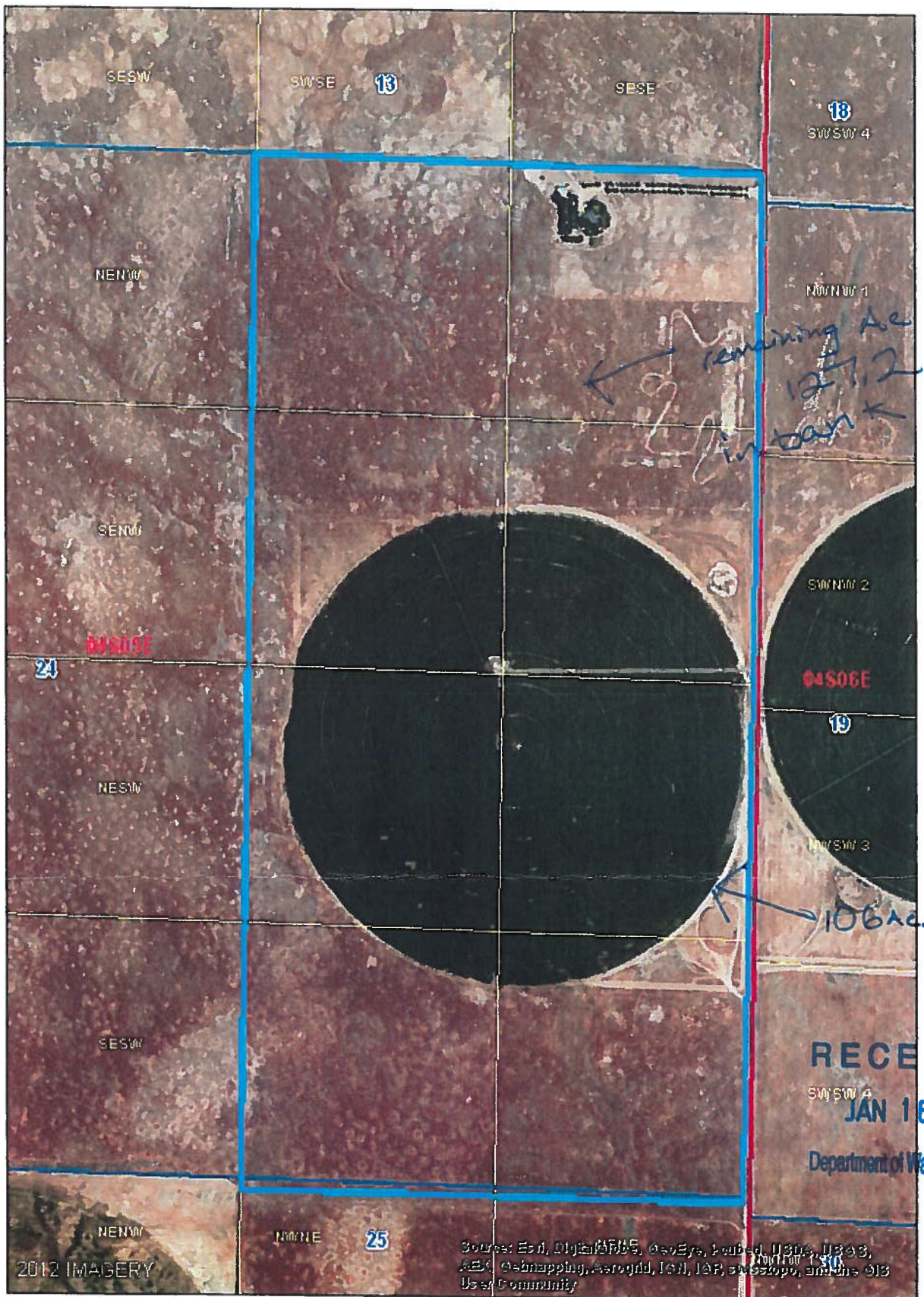
The remaining 35.8 leased acres ($163.0 - 127.2 = 35.8$) appear to be appurtenant to the 59.0 acres owned by Augusta Greenheart under Rights 61-12272 and 61-12273. These rights are ownership splits of the originally leased Rights 61-2188 and 61-7151 with total combined irrigation limited to 53.8 acres.

Mr. Brown explained that there is an ownership dispute of the portion of these rights now described under Rights 61-12272 and 61-12273. His attorney, Michael Creamer, also discussed this matter on the phone with me. He said that Mr. Brown felt he had sold the land and reserved the water rights. Mr. Creamer noted that his client had won this argument in District Court; but that the decision has been appealed to the Idaho Supreme Court and a final decision may not be reached until the end of the year.

The 35.8 leased acres under 61-12272 and 61-12273 should not be rented until the contested ownership is settled.

There is also an 18.0 acre discrepancy between the total authorized acres under these rights, the irrigated acres and the leased acres. All rights equal 287.0 acres – (106.0 irrigated & 163.0 leased) = 18.0 acres. The original 2003 lease was prepared in 2006 based on 124.0 acres irrigated in 2004; or 287.0 acres - 124.0 acres irrigated = 163.0 acres available to be idled under the lease. These 18.0 acres of irrigation may be subject to forfeiture without any further information.

ACRES ORIGINALLY UNDER WATER SUPPLY BANK LEASE
AGREEMENT DATED 7/20/2003



Jay Brown
1-16-14