

WATER SUPPLY BANK LEASE CONTRACT

This Lease Contract ("**Lease**") is effective January 1, 2014, between the Idaho Water Resource Board ("**Board**"), and

Lessor: BLUEWATER DEVELOPMENT LLC
PO BOX 2350
COEUR D'ALENE ID 83816-2350
(208) 667-0100

RECEIVED

JAN 13 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

<u>Water Right</u>	<u>Lease Rate</u>	<u>Lease Volume</u>	<u>Acre Limit</u>	<u>Total Leased Acres</u>
95-2112	2.24 CFS	560.0 AF	NA	160.0 AC
Combined Lease Totals:	2.24 CFS	560.0 AF	NA	160.0 AC

The water rights described herein shall be available for rental from the Bank as follows:
Authorized Period of Use under Lease: March 15 to November 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: \$80,000 per year (\$500 per acre); only entire right may be rented.

3. **TERM OF LEASE:** This Lease shall take effect when both parties have signed it and shall continue in effect until December 31, 2014.
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.

BLUEWATER DEVELOPMENT
PO BOX 2350
COEUR D'ALENE ID 83816-2350

By 
Printed Name CHRISTOPHER H. MEYER

Date January 10, 2014
Title Attorney-in-Fact

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

By 
Brian Patton, Acting Administrator
Idaho Water Resource Board

Date 01-13-2014

Lease approved by IDWR 

Date 01-13-2014

ATTACHMENT A
WATER RIGHT NO. 95-2112
WATER SUPPLY BANK CONDITIONS OF ACCEPTANCE

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

Lessor: BLUEWATER DEVELOPMENT
 PO BOX 2350
 COEUR D'ALENE ID 83816-2350
 (208) 667-0100

Priority Date: 06/16/1955

Source: GROUND WATER

<u>BENEFICIAL USE</u>	<u>From</u>	<u>To</u>	<u>Diversion Rate</u>	<u>Volume</u>
IRRIGATION	03/15	11/15	2.24 CFS	560.0 AF
	Total:		2.24 CFS	560.0 AF

LOCATION OF POINT(S) OF DIVERSION:

GROUND WATER	SW ¼ NW ¼	Sec. 28	Twp 51N	Rge 04W	KOOTENAI County
GROUND WATER	NW ¼ NW ¼	Sec. 28	Twp 51N	Rge 04W	KOOTENAI County
GROUND WATER	NE ¼ NW ¼	Sec. 28	Twp 51N	Rge 04W	KOOTENAI County
GROUND WATER	SE ¼ NW ¼	Sec. 28	Twp 51N	Rge 04W	KOOTENAI 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	
51N	04W	28					40.0	40.0	40.0	40.0									160.0

Total Acres: 160.0

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.

ORIGINAL

Form 42-1761-3
01/13

RECEIVED

DEC 09 2013

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: 95-2112 Telephone No: 208-667-0100

Name(s) of Lessor(s): Bluewater Development, LLC

Mailing Address: PO Box 2350

City: Coeur d'Alene State: ID Zip: 83816-2350

Current Expiration Date: 12/31/2013

Requested Expiration Date: 12/31/2014

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.
- HP 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

Christopher H. Meyer, Attorney-in-Fact
Printed Name and Title*

12-9-2013
Date

Signature of Lessor

Printed Name and Title*

Date

*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: HP Date: 12-9-13 Receipt No: CD98049

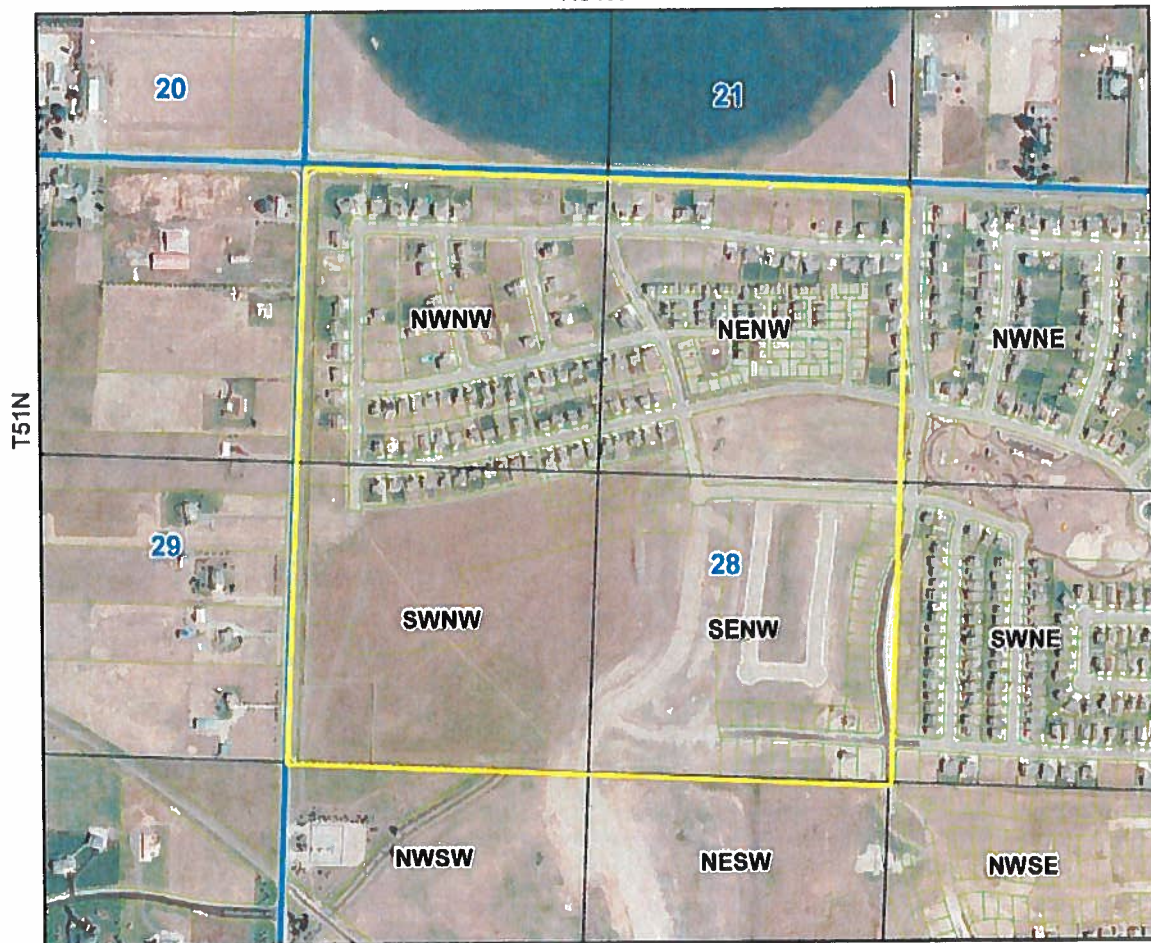
State of Idaho
Department of Water Resources

Water Right
95-2112

IRRIGATION

The map depicts the place of use for the water use listed above and point(s) of diversion of this right as currently derived from interpretations of the paper records and is used solely for illustrative purposes. Discrepancies between the computer representation and the permanent document file will be resolved in favor of the actual water right documents in the water right file.

R04W



- Point of Diversion
- Place Of Use Boundary
- Townships
- PLS Sections
- Quarter Quarters
- Taxlots

0 0.075 0.15 0.3 Miles





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

January 14, 2014

BLUEWATER DEVELOPMENT LLC
PO BOX 2350
COEUR D'ALENE ID 83816-2350

RE: WATER SUPPLY BANK LEASE CONTRACT FOR RIGHTS 95-2112 and 95-2200

Dear Lessor:

Water Rights 95-2112 and 95-2200 were leased into the Water Supply Bank on January 1, 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.**

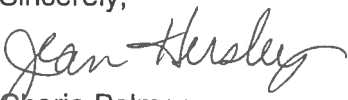
The rights will automatically be released from the Bank on **December 31, 2014**, unless the rights are released earlier by the Board, or upon your request. **Please note your rights may not be available for immediate release if they have been rented.** To release the right from the Bank prior to the release date, submit a written request on the *Request to Release a Water Right from the Bank* form. To request an extension of the lease period, submit a *Request to Extend the Lease Term* form along with applicable fees to the Department prior to the release date. These forms are 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,


for Cherie Palmer

Senior Water Resource Agent
WSB Process Point of Contact

Enclosure: Executed Lease Contract

c: Givens Pursley LLP
Keith Franklin- IDWR Western Regional Manager

GIVENS PURSLEY LLP

LAW OFFICES
601 W. Bannock Street
PO Box 2720, Boise, Idaho 83701
TELEPHONE: 208 388-1200
FACSIMILE: 208 388-1300
WEBSITE: www.givenspursley.com

RECEIVED

JAN 13 2014

DEPARTMENT OF
WATER RESOURCES

Gary G. Allen
Peter G. Barton
Christopher J. Beeson
Clint R. Bolinder
Erik J. Bolinder
Preston N. Carter
Jeremy C. Chou
William C. Cole
Michael C. Creamer
Amber N. Dina
Elizabeth M. Donick
Thomas E. Dvorak
Jeffrey C. Fereday
Martin C. Hendrickson
Don E. Knickrehm

Neal A. Koskella
Debora K. Kristensen
Michael P. Lawrence
Franklin G. Lee
David R. Lombardi
Emily L. McClure
Kenneth R. McClure
Kelly Greene McConnell
Alex P. McLaughlin
Melodie A. McQuade*
Christopher H. Meyer
L. Edward Miller
Patrick J. Miller
Judson B. Montgomery
Deborah E. Nelson

W. Hugh O'Riordan, LLM.
Angela M. Reed
Matt G. Smith
P. Mark Thompson
Jeffrey A. Warr
Robert B. White

Of Counsel
Kimberly D. Maloney

*Licensed in Virginia

Retired:
Kenneth L. Pursley
James A. McClure (1924-2011)
Raymond D. Givens (1917-2008)

January 10, 2014

Cherie Palmer
Senior Water Resource Agent
WSB Process Point of Contact
Idaho Department of Water Resources
The Idaho Water Center
PO Box 83720
Boise ID 83720-0098

Re: Bluewater Development, LLC — Water Right Nos. 95-2112 and 95-2200

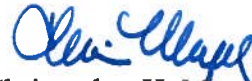
Dear Ms. Palmer:

Per your letter of January 9, 2014, I am returning to you two originals of the Water Supply Bank Lease Contracts for the above-referenced water rights. I have executed these contracts on behalf of Bluewater Development LLC. For reference, I enclose another copy of the special power of attorney authorizing me to do so.

I will look forward to receiving one of the originals for each of the contracts once they are executed by the Department.

My thanks to you and to Jean Hersley.

Sincerely,



Christopher H. Meyer

Encl: Water Supply Bank Lease Contracts for 95-2112 and 95-2200 (two originals)
Special Power of Attorney

cc: Keith Franklin, Regional Manager, Northern Regional Office
John F. Magnuson, Managing Member, Bluewater Development, LLC

SPECIAL POWER OF ATTORNEY FOR WATER RIGHTS

Bluewater Development, LLC, an Idaho Limited Liability Company, hereby appoints the attorneys of Givens Pursley LLP, 601 West Bannock Street, P.O. Box 2720, Boise, Idaho, 83701 as its true and lawful attorneys for the purpose of signing on its behalf the following forms for submission to the Idaho Department of Water Resources and/or any Idaho court adjudicating these rights:

1. Notice of Claim to a Water Right;
2. Application for Amendment of Permit to Appropriate the Waters of the State of Idaho;
3. Notice of Change of Water Right Ownership;
4. Request for Extension of Time to Provide Additional Time in Which to Submit Proof of Beneficial Use for a Water Right Permit;
5. Notice of Protest;
6. Application for Transfer of a Water Right;
7. Proof of Beneficial Use;
8. Application for Exchange of Water;
9. Application for Extension of Time to Avoid Forfeiture of a Water Right;
10. Application to Sell or Lease a Water Right to the Water Supply Bank;
11. Application for Temporary Approval of a Water Application;
12. Application for Permit to Appropriate the Waters of the State of Idaho;
13. Pleadings submitted to any Idaho court adjudicating the water rights of Bluewater Development, LLC; and
14. Any other document in support or furtherance of any of the above.

In addition, Givens Pursley LLP is hereby given authority to request and obtain aerial photographs, crop records, ownership and financial information, and related information from the U.S. Department of Agriculture Farm Service Agency related to property irrigated by water rights owned by Bluewater Development, LLC.

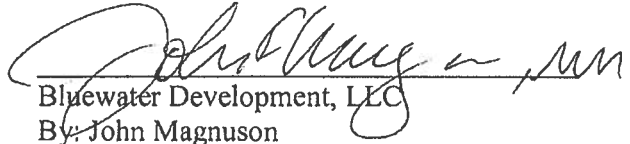
All may rely on such authority. This Special Power of Attorney shall be effective until revoked in writing by Bluewater Development, LLC.

For purposes of the exercise of the powers herein granted, the facsimile signature of said attorneys shall be lawful and binding and any person may rely upon such facsimile signature as if it were an original.

[End of text]

IN WITNESS WHEREOF, Bluewater Development, LLC has executed this Special Power of Attorney effective as of the date noted.

Dated: 11-28-07


Bluewater Development, LLC
By: John Magnuson
Its: Managing Member

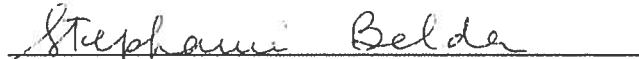
ACKNOWLEDGMENT

STATE OF Idaho
County of Kootenai) ss.

On this 28th day of November, 2007, before me, a Notary Public in and for the State of Idaho, personally appeared John F. Magnuson, known or identified to me to be the member of the limited liability company that executed the instrument or the person who executed the instrument on behalf of said limited liability company, and acknowledged to me that such limited liability company executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.




Notary Public for Idaho
Residing at Coeur d'Alene
My Commission expires 3/8/2010



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

January 9, 2014

BLUEWATER DEVELOPMENT LLC
PO BOX 2350
COEUR D'ALENE ID 83816-2350

RE: APPLICATION(S) TO LEASE WATER RIGHT(S) 95-2112 and 95-2200 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.

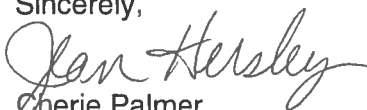
The rights will automatically be released from the Bank on **December 31, 2014**, unless the rights are released earlier by the Board, or upon your request. To release the right from the Bank prior to the release date, submit a written request on the Request to Release a Water Right from the Bank form. To request an extension of the lease period, submit a Request to Extend the Lease Term form along with applicable fees to the Department prior to the release date. 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,

for 
Cherie Palmer
Senior Water Resource Agent
WSB Process Point of Contact

Enclosure: Proposed Lease Contracts

c: Givens Pursley LLP

Hersley, Jean

From: Christopher H Meyer [ChrisMeyer@givenspursley.com]
Sent: Tuesday, January 07, 2014 4:04 PM
To: Hersley, Jean
Cc: 'John F. Magnuson Esq. (john@magnusononline.com)'
Subject: FW: Question regarding water right for water bank. [IWOV-GPDMS.FID303434]

Jean,

This is in response to your inquiry regarding the referenced water rights (95-2112 and 95-2200).

The email response below is from John F. Magnuson, whose name appears on the applications for extension.

I believe that his answers are responsive to your question.

They confirm that, to the extent the land in question has been irrigation, it was irrigated with municipal water, and the subject water right are not being used for and are properly retained in the water bank, available for rental.

Again, thank you for your attention to this application. Let me know if there is anything further than I may provide.



Christopher H. Meyer
Givens Pursley LLP
601 W. Bannock Street
P.O. Box 2720
Boise, Idaho 83701
chrismeyer@givenspursley.com
Direct Line: 208 388-1236
Cell: 208-407-2792
Facsimile: 208 388-1300

CONFIDENTIALITY NOTICE: This e-mail contains confidential information that is protected by the attorney-client and/or work product privilege. It is intended only for the use of the individual(s) named as recipients. If you are not the intended recipient of this e-mail, please notify the sender, please do not deliver, distribute or copy this e-mail, or disclose its contents or take any action in reliance on the information it contains.

From: John Magnuson [<mailto:john@magnusononline.com>]
Sent: Tuesday, January 07, 2014 3:43 PM
To: Christopher H Meyer
Subject: RE: Question regarding water right for water bank. [IWOV-GPDMS.FID303434]

The source of the water that she is referencing is the municipal water system, which is a closed loop system that furnishes the entire subdivision. The water rights were used to irrigate the property before it was annexed into the city. The water rights are not used on the property now by any person, including the city.

Does that answer her question?

John Magnuson

From: Christopher H Meyer [<mailto:ChrisMeyer@givenspursley.com>]
Sent: Tuesday, January 07, 2014 1:37 PM
To: 'John F. Magnuson Esq. (john@magnusononline.com)'
Subject: Question regarding water right for water bank. [IWOV-GPDMS.FID303434]

John,

Please see the email inquiry below from IDWR regarding the extension of the Powderhorn water bank leases.

The thrust of her question is to confirm that the water you seek to put (or keep) in the water bank is not being used on the ground.

Is she correct in her conclusion that "the lots and some parks have been irrigated in the past few years"?

If so, we should be able to identify some source of water for that irrigation other than the water rights you that are being offered to the water bank.

Your thoughts?



Christopher H. Meyer
Givens Pursley LLP

From: Christopher H Meyer [<mailto:ChrisMeyer@givenspursley.com>]
Sent: Tuesday, January 07, 2014 2:31 PM
To: 'Hersley, Jean'
Subject: RE: WSB Extensions of Lease 95-2112 and 95-2200 [IWOV-GPDMS.FID303434]

Thank you, Jean.
I will explore this and follow up with you.



Christopher H. Meyer
Givens Pursley LLP

From: Hersley, Jean [<mailto:Jean.Hersley@idwr.idaho.gov>]
Sent: Tuesday, January 07, 2014 11:31 AM
To: Christopher H Meyer
Subject: WSB Extensions of Lease 95-2112 and 95-2200

Chris,

I am in the process of reviewing your requests to extend the lease term for the above mentioned water rights filed on behalf of Bluewater Development LLC.

The aerial photography suggests the lots and some parks have been irrigated in the past few years. Where is this water coming from?

I will resume processing these extensions as soon as I hear from you. Thank you.

Jean Hersley

Idaho Dept Water Resources

Technical Records Specialist II

208-287-4942

No virus found in this message.

Checked by AVG - www.avg.com

Version: 2012.0.2247 / Virus Database: 3658/6483 - Release Date: 01/07/14

MEMORANDUM

To: Water Right No(s). 95-2112 and 95-2200
From: Jean Hersley
Date: January 7, 2014
Re: Review of Applications to Lease Water Rights to the State Water Supply Bank

PURPOSE/NARRATIVE: We received these WSB Request to Extend Lease Term applications on December 9, 2013.

AUTHORITY TO FILE: Applications were signed by Christopher H Meyer, Attorney in Fact for Bluewater Development LLC. In the file is a Special Power of Attorney for Water Rights issued for Givens Pursley.

WATER RIGHT VALIDITY: These rights have been in the Bank since 2007. Claims were filed on both rights in June, 2013. Lands are still being supplied water by a City of Coeur d'Alene municipal right.

INJURY TO OTHER WATER RIGHTS: No injury is apparent.

ENLARGEMENT OF USE: No enlargement is evident through the lease alone. Proper rental review should protect against enlargement.

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 not subject to any Water District.

GIVENS PURSLEY LLP

LAW OFFICES
601 W. Bannock Street
PO Box 2720, Boise, Idaho 83701
TELEPHONE: 208 388-1200
FACSIMILE: 208 388-1300
WEBSITE: www.givenspursley.com

Gary G. Allen
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Erik J. Bolinder
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Amber N. Dina
Elizabeth M. Donick
Thomas E. Dvorak
Jeffrey C. Fereday
Martin C. Hendrickson
Steven J. Hippler
Don E. Knickrehm
Neal A. Koskella
Debora K. Kristensen
Michael P. Lawrence
Franklin G. Lee
David R. Lombardi
Emily L. McClure
Kenneth R. McClure
Kelly Greene McConnell
Alex P. McLaughlin
Melodie A. McQuade*
Christopher H. Meyer
L. Edward Miller
Patrick J. Miller
Judson B. Montgomery
Deborah E. Nelson

RECEIVED

DEC 09 2013

DEPARTMENT OF
WATER RESOURCES

W. Hugh O'Riordan, LLM.
Angela M. Reed
Matt G. Smith
Jeff A. Warr
Robert B. White

Of Counsel
Kimberly D. Maloney

*Licensed in Virginia

Retired:
Kenneth L. Pursley
James A. McClure (1924-2011)
Raymond D. Givens (1917-2008)

December 9, 2013

Via Hand Delivery

Idaho Department of Water Resources
The Idaho Water Center
322 E Front St
Boise ID 83702

Re: Bluewater Development, LLC — Water Right Nos. 95-2112 and 95-2200

Dear Sir or Madam:

I am writing on behalf of Bluewater Development, LLC. I serve as the company's special water counsel.

I am enclosing two applications for extension of the Water Supply Bank lease terms for Bluewater Development, LLC's Water Right Nos. 95-2112 and 95-2200, together with (1) a map depicting the acres to be idled and (2) a completed Form W-9.

I am also enclosing a copy of the Special Power of Attorney authorizing me to act on behalf of the company in this regard.

Finally, I enclose two checks for \$250.00 each to cover the filing fees for the two applications.

The company seeks extensions through December 31, 2014.

The condition for Water Right No. 95-2112 under the heading "Minimum Payment Acceptable" should continue to read: "\$80,000 per year (\$500 per acre); only entire right may be rented."

Idaho Department of Water Resources
December 9, 2013
Page 2

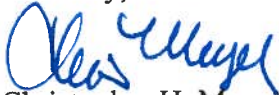
The condition for Water Right No. 95-2200 under the heading "Minimum Payment Acceptable" should continue to read: "\$78,500 per year (\$500 per acre); only entire right may be rented."

It is my understanding that even if this extension is not processed prior to the expiration of the current lease on December 31, 2013, the application will be deemed timely filed and when the extension is approved it will be backdated to ensure that there is no gap in Water Bank protection.

Once approved, I would appreciate receiving an acknowledgment that these extensions have been approved.

Thank you very much for your assistance in this matter. Please contact me if you have any questions.

Sincerely,



Christopher H. Meyer

Encl: Water Supply Bank Lease Term Extension Forms for 95-2112 and 95-2200
Two checks for \$250.00 (\$500.00 total)
Special Power of Attorney

cc: Keith Franklin, Regional Manager, Northern Regional Office
John F. Magnuson, Managing Member, Bluewater Development, LLC