

AGREEMENT BETWEEN THE STATE OF IDAHO,

DEPARTMENT OF LANDS; TOMMY C. WADDOUPS LLC

THIS AGREEMENT ("Agreement") is entered into between the State of Idaho, Department of Lands ("IDL"); Tommy C. Waddoups LLC ("Lessee").

IN CONSIDERATION OF THE PROMISES STATED IN THIS AGREEMENT, THE PARTIES AGREE AS FOLLOWS:

I. DEFINITIONS

A. The term "IDL" means the State of Idaho, Department of Lands, 300 N 6th Street, P.O. Box 83720, Boise, Idaho 83720-0050, by and through its authorized representatives.

B. The term "Lessee" means Tommy C. Waddoups LLC, 6 Tamarack, Garden Valley, ID 83622.

C. The term "Lease No. G-9730" means State of Idaho Land Lease No. G-9730 entered into by and between IDL and Jimmie K Waddoups on April 6, 2006 with a term from January 1, 2006 to December 31, 2015, which was assigned to Tommy C. Waddoups LLC on April, 13, 2012, or a successor lease held by the Lessee covering the State lands in the SE1/4NE1/4 and SE1/4SE1/4 of Township 5N, Range 24E, Section 36, B.M., Butte County and Custer County, Idaho.

II. RECITALS AND PURPOSE OF AGREEMENT

A. IDL acquired the following described lands from the United States on July 3, 1890:

COUNTY	ACRES	SUBDIVISION DESCRIPTION	SECTION	TOWNSHIP	RANGE
Butte	65.0	PT SENE, SESE	36	5N	24E
Custer	215.00	N2NE, W2NW, NWSW, PT SENE	36	5N	24E

B. IDL leases the lands set forth above to Lessee in accordance with Lease No. G-9730.

C. Lessee has water rights which are authorized for the irrigation of certain private lands, as well as certain portions of State land described as the SE1/4NE1/4 and SE1/4SE1/4 of Township 5N, Range 24E, Section 36, B.M., Butte County and Custer County, Idaho.

D. The water rights appurtenant to the private and State land described herein are Water Right Nos. 34-784, 34-785, and 34-786, which were all decreed in the Snake River Basin Adjudication pursuant to Idaho law (in *In re SRBA Case No. 39576, Subcase No. 37-13317A* (Idaho 5th Dist. Ct.)).

E. IDL did not object to the issuance of partial decrees for Water Right Nos. 34-784, 34-785, and 34-786 which listed State land as part of the authorized place of use.

F. Lessee has now filed a water rights transfer (an administrative change) for Water Right Nos. 34-784, 34-785, and 34-786 under Transfer No. 77757. While Transfer No. 77757 does not purport to significantly change the portion of Water Right Nos. 34-784, 34-785, and 34-786 located on State land, the parties hereto wish to address how these water rights will be addressed in the event Lessee is no longer the lessee of Lease No. G-9730.

G. Counsel for IDL was notified of Transfer No. 77757 by counsel for Lessee to determine if there was any prior agreement relative to Lessee's water rights, and none existed.

H. The purpose of this Agreement is to address potential future issues regarding Water Right Nos. 34-784, 34-785, and 34-786 in the event the Lessee is no longer the lessee of the State property described herein. The parties determined it would be in both parties' respective best interests to enter into this Agreement.

III. SPLIT OF WATER RIGHTS

A. Water Right Nos. 34-784, 34-785, and 34-786 shall each be proportionately split into two separate water rights, the first of which shall include the portion of said water rights located solely on private ground and shall list the Lessee as the owner of said water rights, and the second of which shall include the portion of said water rights located solely on State ground and shall list both the Lessee and IDL as joint owners of said water rights. The agent from IDWR who will process the water right split has confirmed that the water rights will be split as follows based upon past IDWR practice:

Water Right Number and Priority Date	Original Amount	Lessee Amount After Split	State and Lessee Amount After Split
34-784 6/1/1884	.6 cfs/30 acres	.54 cfs/26.8 acres	.06 cfs/3.2 acres
34-785 5/1/1886	2.9 cfs/145 acres	2.59 cfs/129.6 acres	.31 cfs/15.4 acres
34-786 9/27/1911	1.7 cfs/85 acres	1.52/75.9 acres	.18 cfs/9.1 acres
TOTALS	5.2 cfs/260 acres	4.65 cfs/232.3	.55 cfs/27.7 acres

B. The parties shall cooperate with IDWR to ensure that the above splits are accomplished, and shall execute any and all further documents that may be required by IDWR, if any, in order to effectuate the provisions of this Agreement.

IV. EXPIRATION, TERMINATION, OR OTHERWISE ENDING OF

LEASE NO. G-9730

A. In the event of the expiration, termination, or otherwise ending of Lease No. G-9730, Lessees shall have ninety (90) days from the date of expiration, termination, or otherwise ending of Lease No. G-9730 to file with IDWR or any successor agency an application for transfer of the water rights located on State land that are owned jointly by the Lessee and the State of Idaho, and move them to other lands. IDL will execute any document required by

IDWR to move said water rights, including a deed if necessary, to allow Lessee to move said water rights to other lands.

B. If within the prescribed ninety (90) day time limit Lessees fail or refuse to file with IDWR or any successor agency an application for transfer of the water rights located on State land that are jointly owned by the Lessee and the State of Idaho, any ownership interest held by Lessees in said water rights shall automatically cease and IDL shall become the sole owner of said water rights. In such event, Lessees waive any right to object to the transfer of said water rights to the name of IDL exclusively, and will execute any document required by IDWR to move said water rights, including a deed if necessary, to vest ownership of said water rights to IDL.

C. If within the prescribed ninety (90) day time limit Lessee files an application for transfer of the water rights located on State land that are owned jointly by the Lessee and the State of Idaho, Lessee shall then have three (3) years from the date of filing to accomplish said transfer. If Lessees fail or refuse to accomplish said transfer within the prescribed three (3) year time limit, any ownership interest held by Lessee in said water rights will automatically cease and IDL shall become the sole owner of said water rights. In such event, Lessees waive any right to object to the transfer of said water rights to the name of IDL exclusively, and will execute any document required by IDWR to move said water rights, including a deed if necessary, to vest ownership of said water rights to IDL.

D. The Parties agree to make reasonable accommodations to extend the three (3) year time limit where the accomplishment of the transfer is delayed due to government delays beyond the Lessees' control.

E. In the event of the expiration, termination, or otherwise ending of the Lease, Lessees shall have no right or privilege to access the State lands for use of the water rights located on State land that are jointly owned by the Lessee and the State of Idaho. Furthermore, in the event of the expiration, termination, or otherwise ending of the Lease, Lessee shall apply to IDL for authorization to access the point of diversion and ditch located on State land in the NW1/4SW1/4 of Township 5N, Range 24E, Section 36, B.M., Custer County, Idaho.

V. AMENDMENT TO LEASE NO. G-9730

A. The parties agree to amend Lease No. G-9730 by replacing the term "dry cropland" with "irrigated cropland" under the Management Provision on page 1 of the lease. The parties agree to effectuate this amendment through an Instrument Adjustment Form to be executed no later than thirty (30) days from the date of execution of this Agreement.

B. With the exception of amendment identified in Section V.A., nothing contained herein shall be deemed or construed to alter, amend, repeal, modify, or otherwise affect Lease No. G-9730 or any provision therein.

VI. TERM

This Agreement shall be effective upon execution and shall continue in perpetuity.

VII. ALTERATION

Any change to this Agreement shall be in writing signed by an authorized representative of both parties.

VIII. GOVERNING LAW

This Agreement shall be governed by, and construed in accordance with, the laws of the State of Idaho.

IX. ASSIGNMENT OF RIGHTS AND DELEGATION OF DUTIES

No party shall assign a right under this Agreement or delegate a duty under this Agreement without the prior written consent of the other.

X. ENTIRE AGREEMENT

This Agreement sets forth all of the covenants, promises, provisions, agreements, conditions, and understandings between the parties, and there are no covenants, provisions, promises, agreements, conditions, or understandings, either oral or written between them other than are herein set forth.

XI. EFFECT OF SECTION HEADINGS

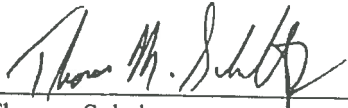
The section headings appearing in this contract are not to be construed as interpretations of the text but are inserted for convenience and reference only.

XII. DUPLICATE ORIGINALS

This Agreement is executed in duplicate. Each of the two (2) Agreements with an original signature of each party shall be an original.

IN WITNESS WHEREOF the parties executed this contract on the date following their respective signatures.

IDAHO DEPARTMENT OF LANDS

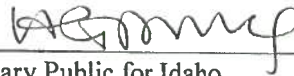
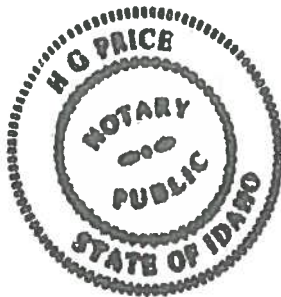


Thomas Schultz

STATE OF IDAHO)
COUNTY OF ADA)

On this 3rd day of AUGUST in the year 2012, before me a Notary Public in and for said State, personally appeared Thomas Schultz, known to me to be the Director, that executed the within instrument, and acknowledged to me that the State of Idaho Department of Lands executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year last above written.



Notary Public for Idaho

Residing at Middleton

My commission expires: 03/18/16

LESSEE - Tommy C. Waddoups LLC

Sign: Tommy C. Waddoups

Date: 7/27/2012

Print: Tommy C. Waddoups

Position: Retired

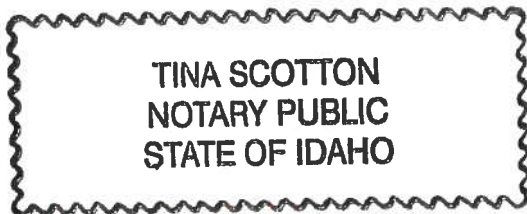
STATE OF Idaho

COUNTY OF Ada

On this 27 day of July in the year 2012, before me a Notary Public in and for said State, personally appeared Tommy C. Waddoups known to me to be _____,

that executed the within instrument and acknowledged to me that Tommy C. Waddoups LLC executed the same.

IN WITNESS THEREOF, I have hereunto set my hand and seal on the day and year last above written.



A handwritten signature of the notary public, Tina Scotton, in dark ink.

Notary Public for Idaho

Residing at Eagle, ID

My commission expires: 7-24-2013

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CONSENT TO WATER RIGHTS TRANSFER

I, Tommy C. Waddoups LLC hereby agree and consent to a water rights transfer that has will be submitted to the Idaho Department of Water Resources ("IDWR") to remove portions of water rights located on my property that were formerly owned by the Waddoups family, but now are owned by Tommy C. Waddoups LLC. While the Waddoups water rights cover my property, I have no ownership interest in them, and it seems to me that the water rights were incorrectly decreed to cover this portion of my property. The Waddoups water right portion that covers my property is outlined in black on the attached map.

I recently purchased the property I now own from the King family (which is just west and upstream on Antelope Creek from the Waddoups property), and believe the water rights on my property are still in the Kings' name. A portion of my water rights that I do own overlap with the portion of the Waddoups water right that is proposed to be moved. The water rights currently in the name of the King family, but now owned by us, are not to be moved in the Waddoups transfer and are to stay at their current location.


_____ 3/1/12