

*John A. Rosholt
Albert P. Barker
John K. Simpson
Travis L. Thompson
Shelley M. Davis
Paul L. Arrington
Scott A. Magnuson
Sarah W. Higer*



Travis L. Thompson
tlth@idahowaters.com

August 3, 2009

Mr. Gary Spackman, Interim Director
Idaho Department of Water Resources
322 E. Front St.
P.O. Box 83720
Boise, Idaho 83720-0098

Re: Dry Lot Applications for Permit #37-22252 / Transfer #74449

Dear Gary:

Please find enclosed for filing in the above-referenced matter an executed *Stipulation* between the Applicant Dry Lot LLC and the sole remaining Protestant, Indian Creek Ranch Owners Inc. The stipulation resolves Indian Creek's protests therefore I presume the hearing schedule we set at the last teleconference is vacated.

We look forward to working with IDWR in continuing the processing of the applications. Please contact me if you have any questions or need any additional information.

Sincerely,

BARKER ROSHOLT & SIMPSON LLP

Travis L. Thompson

Enc.

cc: Allen Merritt, IDWR (Southern Region)
Woody Friedlander, Dry Lot
Dana Hofstetter

113 Main Ave. W., Suite 303
P.O. Box 485
Twin Falls, ID 83303-485
(208) 733-0700 telephone
(208) 735-2444 facsimile
jar@idahowaters.com

1010 W. Jefferson St., Suite 102
P.O. Box 2139
Boise, ID 83701-2139
(208) 336-0700 telephone
(208) 344-6034 facsimile
brs@idahowaters.com

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DEPARTMENT OF
WATER RESOURCES

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RECITALS

A. Dry Lot filed an application for permit #37-22252 and an application for transfer #74449 concerning portions of water right nos. 37-21130, 37-21137 and 37-21139¹, as amended (hereinafter collectively referred to as "Applications") with the Idaho Department of Water Resources ("Department").

B. In June 2008, ICROA filed timely protests to Dry Lot's application for permit #37-22252 and application for transfer #74449.

C. It is the intention of Dry Lot and ICROA (hereinafter collectively "Parties") to settle and resolve fully, completely and finally all claims and issues related to the disputes and controversies concerning ICROA's protests to the Applications.

The Parties hereto have reached an agreement which will result in a full and complete settlement of all claims stated in ICROA's protests.

COVENANTS

NOW, THEREFORE, in consideration of the mutual promises, covenants and conditions contained herein, and for other good and valuable considerations, the receipt and sufficiency of which is hereby acknowledged, the undersigned Parties expressly agree to the following terms and conditions in a full settlement, compromise and satisfaction of the claims which are alleged, or could have been alleged, against the Applications.

1. Department Evaluations. Dry Lot has prepared and submitted a groundwater flow model to the Department in support of the approval of the Applications. Dry Lot has delivered the information to the Department pursuant to a *Limited Use Digital Data License Agreement* dated June 19, 2009. Dry Lot also prepared a conveyance loss analysis regarding the change in the place of use of the portions of water right nos. 37-21130, 37-21137 and 37-21139, subject to transfer #74449,, diverted from the Hiawatha Canal (Appendix D to *Narrative in Support of Water Right Permit, Transfer and Mitigation Plan for Irrigation*). It is Dry Lot's understanding that the Department intends to perform an evaluation of the model, the scenario, and the conveyance loss analysis for purposes of processing the Applications. Dry Lot shall allow the Department's evaluation to proceed to completion. Dry Lot agrees that the results of the Department's evaluation shall be provided to ICROA when completed.

¹ It is understood IDWR has reserved, and provided the transfer is approved, will renumber the portions of water right nos. 37-21130, 37-21137, and 37-21139 as follows: 37-22313, 37-22318, and 37-22323.

2. Measurement and Reporting Requirements. The Parties recognize that the diversion of Dry Lot's portions of Water Right Nos. 37-21130, 37-21137 and 37-21139, as they may be renumbered, from the Big Wood River will be measured by the Water District 37 Watermaster. Dry Lot will make and report such measurements to ICROA as are set forth in the Dry Lot Measurement, Monitoring and Reporting Plan attached hereto as Exhibit A, provided, however, that should the Department require a measurement or report similar to but different from the measurements or reports set forth in Exhibit A, Exhibit A shall be deemed modified to the extent necessary to make it consistent with the requirements of the Department. Nothing herein shall be deemed as preventing the Department from imposing any additional monitoring, measuring and reporting requirements as it deems necessary.

3. Withdrawal of Protests. ICROA hereby agrees that its protests to the Applications before the Department are hereby withdrawn, with prejudice. ICROA further agrees that it waives any right to challenge the Applications, including, without limitation, any protest based upon either the City of Hailey's or Old Cutters, Inc.'s non-compliance or non-satisfaction of Idaho Code § 67-6537. ICROA's withdrawal of its protests shall not be deemed to satisfy the statutory requirements applicable to the Applications and nothing herein shall be deemed to substitute for the Department's full review of the Applications consistent with its statutory authorities. ICROA reserves the right to protest any future application of Dry Lot or amendment to the Applications filed by Dry Lot after the date of this stipulation in connection with the Applications currently before the Department.

4. Notices. Any notice or reports required under this Stipulation shall be in writing and be delivered in person, by U.S. Mail, by private courier, or by facsimile. Notice shall be provided to the following:

ICROA:

Indian Creek Ranch Owners Association, Inc.
P.O. Box 34111
Hailey, Idaho 83333

Dry Lot LLC:

Bernard I. Friedlander
116 Valley Club Drive
Hailey, Idaho 83333
Home: (208) 788-0837
Cell: (786) 390-6346

5. Attorneys' Fees. Each of the Parties shall bear their own attorneys fees and costs in connection with the Applications and the protests filed thereto.

6. Duty of Good Faith. Each of the Parties to this Stipulation agrees to perform and execute this Stipulation in accordance with the highest standards of good faith, honesty in fact, and fair dealing. Accordingly, the Parties agree to cooperate fully and execute any and all supplemental documents and take any and all additional actions that may be necessary or appropriate to give full force and effect to the terms and intent of this Stipulation.

7. Entire Agreement. This is the entire agreement of Dry Lot and ICROA with respect to matters covered hereby and supersedes all prior agreements between them, written or oral. This Stipulation may be modified only in writing, signed by Dry Lot and ICROA.

8. Counterparts. This Stipulation may be executed in any number of counterparts for the convenience of the Parties, all of which, when taken together and after execution by all Parties hereto, shall constitute one and the same agreement.

9. Idaho Law. This agreement shall be governed by the laws of the State of Idaho.

10. Severability. The invalidity or unenforceability of any provision of this agreement shall not affect the validity or enforceability of any other provision hereof.

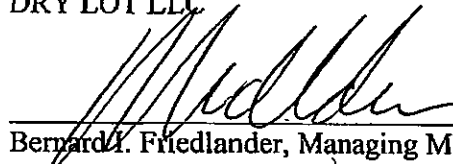
11. Successors. This agreement is for the benefit only of the Parties hereto and shall inure to the benefit of and bind the heirs, personal representatives, successors and assigns of the Parties hereto.

12. Effective Date. The Effective Date of this Stipulation shall be the date on which both Dry Lot and ICROA executed this Stipulation, if executed on the same day, or the later date, if executed on different days.

IN WITNESS WHEREOF, the undersigned have duly executed this Stipulation.

DATED this 28 day of JULY, 2009

DRY LOT LLC



Bernard L. Friedlander, Managing Member

STATE OF IDAHO)
) ss.
County of Blaine)

On this 28 day of July, 2009 before me the undersigned Notary Public in and for said State, personally appeared BERNARD I. FRIEDLANDER, known or identified to me to be a managing member of the limited liability company that executed the foregoing instrument or the person who executed the foregoing 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 seal the day and year in this certificate first above written.

+++++
SANDRA P. EHRLMANTRAUT
NOTARY PUBLIC
STATE OF IDAHO
+++++

Sandra P. Ehrmantraut
Notary Public for Idaho
Residing at: Idaho
Comm. Expires: 4-2-12

DATED this 30TH day of July, 2009

INDIAN CREEK RANCH OWNERS, INC.

Einar B. Hoff
President

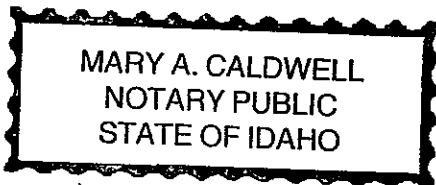
ATTEST

Secretary

STATE OF IDAHO)
) ss.
County of Blaine)

On this 30 day of July, 2009 before me the undersigned Notary Public in and for said State, personally appeared Einar B. Hoff, known or identified to me to be the President of the corporation that executed the foregoing instrument or the person who executed the foregoing instrument on behalf of said corporation, and acknowledged to me that such corporation executed the same.

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



Mary A. Caldwell
Notary Public for Idaho
Residing at: Bellevue
Comm. Expires: 08-20-2013

Exhibit A

Dry Lot Measurement, Monitoring and Reporting Plan

At River

- Dry Lot's portion of water right nos. 37-21130, 37-21137 and 37-21139, as they may be renumbered by the Idaho Department of Water Resources ("IDWR" or "Department")¹, will be measured by the Water District 37 Watermaster at the Big Wood River where diverted into the Hiawatha Canal. All daily water right measurement and regulation at the river is controlled by the Watermaster. Annual reports are compiled by the Water District.

At Diversion Pump on Hiawatha Canal

- Dry Lot plans to pump its portion of water right nos. 37-21130, 37-21137 and 37-21139, as they may be renumbered by IDWR, from the Hiawatha Canal at the existing Valley Club pump located in the SWNW Sec. 20 T3N R18E Boise Meridian. This water will then be delivered by pipeline to one of two infiltration basin locations located in the NWNE or NWSE Sec. 20 T3N R18E Boise Meridian. Each location will contain two to four infiltration basins.
- The infiltration basins are proposed to be subsurface galleries with perforated pipe distribution systems (not open ponds). The two sets of two to four basins are proposed to be approximately 80 x 115 feet each in size, at least 3 feet below ground surface and located at least 500 feet from any existing wells.
- A totalizing flow meter will be installed on the pumping system at the Hiawatha Canal and a meter with an instantaneous readout and totalizer will be installed on the pipeline to the infiltration basins with monthly reporting to ascertain the total volumes diverted to the infiltration basins.
- Dry Lot will report all water diverted from the Hiawatha Canal and into the infiltration basins on a monthly basis to the WD 37 Watermaster, IDWR, ICROA and BWCC.
- Dry Lot will provide the monthly water measurement report by the 5th of the following month (e.g. May report provided by June 5th).
- Dry Lot will inspect as needed and report to the WD 37 Watermaster, IDWR, ICROA and BWCC any problems or operational spill at the infiltration sites.
- Dry Lot will develop a maintenance program for the infiltration basins to ensure satisfactory operation.

¹ It is understood IDWR has reserved, and provided the transfer is approved, will renumber the portions of water right nos. 37-21130, 37-21137, and 37-21139 as follows: 37-22313, 37-22318, and 37-22323.

At Groundwater Wells

- Dry Lot will divert groundwater for water right #37-22252 at two (2) existing wells that currently serve the Valley Club subdivision (water rights #37-8613A and #37-8810). The wells are located at the north end of the subdivision in the NWSWNE of Sec. 20, T 3N, R 18E (see map).
- Water will be measured by existing flow meters on the wells. Dry Lot will measure and report the total volume pumped on a monthly basis to the WD 37 Watermaster, IDWR, ICROA and BWCC. The report will include water diverted for all three rights out of the two wells (#37-8613A, #37-8810, and #37-22252).