

STATE OF IDAHO
DEPARTMENT OF WATER RESOURCES
WATER SUPPLY BANK RENTAL AGREEMENT

RECEIVED

This is to certify that: FORMATION CAPITAL CORPORATION US
812 SHOUP ST
SALMON ID 83467
(208) 756-4578

MAY 12 2008
DEPARTMENT OF
WATER RESOURCES

filed an application to rent water from the Water Supply Bank ("Bank"). The Idaho Water Resource Board ("Board") being authorized to operate a Bank and to contract by and through the Director of the Idaho Department of Water Resources ("Director, Department") for rental of water from the Bank agrees to rent water as follows:

Summary of Water Rights or Portions Rented from the Bank

	Water Right	Rented Rate	Annual Rented Volume	Total Rented Acres
	75-7073	0.50 CFS	362.0 AF	N/A
COMBINED RENTAL TOTALS:		0.50 CFS	362.0 AF	N/A

TERM OF RENTAL: January 29, 2008 to December 31, 2012

RENTAL FEE: \$506.80 per year

The total fee for rental of the above-described water is \$5,068.00 per year. The undersigned renter is also the lessor under this agreement, and is therefore obligated to pay only the administrative fee of \$506.80 per year.

An annual payment shall be received by the Department of Water Resources prior to January 1, each year for the duration of the rental period. The agreement will be void if the payment is not received in a given year.

Detailed water right specific limitations and conditions attached.

The undersigned renter agrees to use the water rented under this agreement in accordance with the Water Supply Bank rules and in compliance with the limitations and conditions of use described in this agreement:

Dated this 8th day of May, 2008.

By: WILLIAM SCALES
(Print Name)

[Signature]
(Signature)
President
(Title if on behalf of company or organization)

Having determined that this agreement satisfies the provisions of Section 42-1763, Idaho Code, and, IDAPA 37.02.03030 (Water Supply Bank Rule 30), for the rental and use of water under the terms and conditions herein provided, and none other, I hereby execute this Rental Agreement on behalf of the Idaho Water Resource Board this 13th day of MAY, 2008.

[Signature]
FOR DAVID R. TUTHILL, JR., Director
Department of Water Resources

SCANNED

MAY 15 2008

WATER RIGHT NO. 75-7073 **WATER SUPPLY BANK RENTAL AGREEMENT**

The renter agrees to use the water rented under this agreement in accordance with the Water Supply Bank rules and in compliance with the limitations and conditions of use described below:

Renter: FORMATION CAPITAL CORPORATION US
 812 SHOUP ST
 SALMON ID 83467
 (208) 756-4578

Priority Date: 11/23/1976

Source: BUCKTAIL CREEK

<u>BENEFICIAL USE</u>	<u>From</u>	<u>To</u>	<u>Diversion Rate</u>	<u>Volume</u>
MINING	01/01 to	12/31	0.50 CFS	362.0 AF
DIVERSION TO STORAGE	01/01 to	12/31	0.50 CFS	362.0 AF
MINING STORAGE	01/01 to	12/31	0.50 CFS	50.0 AF
MINING FROM STORAGE	01/01 to	12/31	0.50 CFS	50.0 AF
Total:			0.50 CFS	362.0 AF

LOCATION OF RENTER'S POINT(S) OF DIVERSION:

BUCKTAIL CREEK	NW¼NE¼	Sec. 17	Twp 21N	Rge 18E	LEMHI County
BUCKTAIL CREEK	NE¼NE¼	Sec. 20	Twp 21N	Rge 18E	LEMHI County

RENTER'S PLACE OF USE: MINING, DIVERSION TO STORAGE, MINING STORAGE,
 MINING FROM STORAGE

Tw	Rge	Sec	NE				NW				SW				SE				Totals
			NE	NW	SW	SE	NE	NW	SW	SE	NE	NW	SW	SE	NE	NW	SW	SE	
21N	18E	21	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
21N	18E	20	X												X				

CONDITIONS OF WATER USE

- The use of water under this agreement shall be subject to the provisions of Section 42-1766, Idaho Code.
- Rental of the specified right from 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 the ongoing Snake River Basin Adjudication or any other department application process.
- Use of water under this agreement does not constitute a dedication of the water to renter's place of use and upon expiration of this agreement, the points of diversion and place of use of the water shall revert to those authorized under the water right and/or again be available to rent from the bank.
- This rental does not grant any right-of-way or easement to use the diversion works or conveyance works of another party.
- Use of water under this agreement shall not prejudice any action of the Department in its consideration of a permanent application for transfer or permit filed by the applicant for this same use.
- Renter agrees to comply with all applicable state and federal laws while using water under this agreement.
- Renter agrees to hold the Board, the Director and the state of Idaho harmless from all liability on account of negligent acts of the renter while using water.
- Renter acknowledges and agrees that the Director may terminate diversion of water if the Director determines there is not a sufficient water supply for the priority of the right or portion thereof being rented.
- Failure of the renter to comply with the conditions of this agreement is cause for the Director to rescind approval of the rental agreement.
- The renter is limited to diversion of 362.0 acre-feet per year for the uses authorized under this agreement.

SCANNED

MAY 15 2008