

LETTER OF INTENT

USE OF WATER FROM SEAPAC OF IDAHO, INC'S MAGIC SPRINGS FACILITY, CONSTRUCTION OF PUMP STATION AND PIPELINE IN EXCHANGE FOR WATER FROM THE AQUA LIFE FACILITY

This Letter of Intent ("LOI") is entered into by and between Idaho Ground Water Appropriators, Inc. ("IGWA"), acting for and on behalf of North Snake Ground Water District, Magic Valley Ground Water District and Southwest Irrigation District (collectively "Districts"), and SeaPac of Idaho, Inc. ("SeaPac").

RECITALS

A. In response to Rangen, Inc.'s ("Rangen") water delivery call, the Idaho Department of Water Resources ("IDWR") determined in its January 29, 2014 order that holders of ground water rights junior to July 13, 1962 must provide 9.1 cfs of direct flow to Rangen. Other delivery calls are pending or may be filed by other Hagerman Valley water right holders seeking to curtail junior ground water users.

B. IGWA represents ground water districts whose members consist of irrigators, municipalities, and commercial and industrial entities with ground water rights. Many of the ground water districts' member's water rights are junior to Rangen and certain other water rights in the Thousand Springs reach of the Hagerman Valley and are subject to curtailment unless a mitigation plan is approved providing replacement water.

C. IGWA and SeaPac support the concepts and implementation of the State of Idaho's *Thousand Springs Water Supply Settlement Framework* designed to provide recharge and other means to stabilize the aquifer, to improve water supplies in the Hagerman Valley and to resolve conflicts between junior and senior water right holders.

D. The Idaho Water Resource Board ("IWRB") owns and operates the Aqua Life Aquaculture Facility Hatchery ("Aqua Life") and has entered into a Letter of Intent with IGWA to make available to IGWA by lease or purchase up to ten (10) cfs of its Aqua Life water rights from adjacent springs as needed to meet the mitigation obligation to Rangen and others in the Hagerman valley. IGWA has entered into negotiations with IWRB seeking to lease and acquire ownership of all of Aqua Life.

E. SeaPac currently has a short-term lease of Aqua Life from IWRB and desires to continue its Aqua Life operations by securing ownership and/or a long-term lease.

F. IGWA desires to secure water from SeaPac's Magic Springs to provide a supply of water for mitigation purposes to Rangen and to other senior rights in the Hagerman Valley.

G. IGWA and SeaPac desire to enter into this Letter of Intent ("LOI") to set forth their intent to commence negotiation of a final agreement providing for the exchange of Magic Springs water for Aqua Life water consistent with the terms set forth below.

TERMS

The Agreement shall have the following terms and conditions:

1. SeaPac will lease or sell to IGWA up to ten (10) cfs of first use water from its Magic Springs water right nos. 36-7072 and 36-8356 and also will provide access to allow IGWA to utilize all discharge water from its Magic Springs facilities as needed to provide mitigation to other water right holders in the Hagerman valley.

2. In exchange for water from Magic Springs, IGWA will secure ownership or control of Aqua Life water right nos. 36-1044, 36-2734, 36-15476, 36-2414, and 36-2338 by long-term lease or purchase from IWRB and make them available to SeaPac.

3. IGWA will pay all costs to design, construct, operate and maintain the water collection and intake system, pump station, pipeline and other facilities necessary to deliver up to 10 cfs of first use water together with discharge water from Magic Springs to the head of Billingsley Creek directly up gradient from the Rangen hatchery and/or other locations in the Hagerman valley for mitigation purposes. IGWA will ensure that the diversion and delivery facilities to be constructed will not interfere with the use of SeaPac's remaining water rights at Magic Springs.

4. IGWA shall be responsible to secure from IDWR approval of such mitigation plans, transfer applications and other permits as may be required to change the point of diversion and place of use to accomplish the delivery of Magic Springs water for mitigation purposes. SeaPac hereby grants consent to IGWA to file and process such mitigation plans, transfer applications based on this LOI, with the approvals made subject to this LOI and the contemplated final Agreement between the parties.

5. SeaPac will grant IGWA permanent easements at Magic to design, construct, operate and maintain the water intake and collection facilities, pump station, pipeline and other facilities as necessary for the delivery of water to other locations for mitigation purposes.

6. IWRB will cooperate with IGWA and provide all necessary documents to conduct such investigation as it shall deem appropriate.

7. The Agreement will be contingent upon: (a) IGWA securing an order from IDWR approving mitigation plans providing for the delivery SeaPac's Magic Springs water rights to satisfy the mitigation obligations to Rangen and/or others in the Hagerman valley; (b) IGWA

securing an order from IDWR approving the transfer of the point of diversion and place of use (as necessary) from SeaPac to Rangen and other locations for mitigation; (c) IGWA proceeding to construct and implement the pump and pipeline facilities pursuant to an approved mitigation plan; and IGWA securing ownership or control by long-term lease of Aqua Life and providing it to SeaPac.

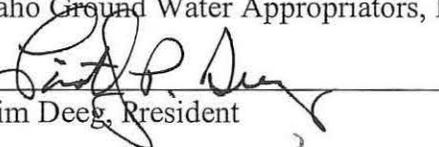
8. This LOI may be executed in counterparts, each of which shall be deemed to be an original, but all of which, taken together, shall constitute but one and the same agreement. Delivery of an executed counterpart of this LOI via facsimile transmission shall be as effective as delivery of an original signed copy. Thereafter, the parties shall exchange executed originals of this LOI.

9. This LOI is intended as a general expression of the terms and conditions, under which the parties are willing to proceed to prepare, negotiate and if acceptable to all parties in their respective sole discretion, execute a final Agreement. Neither this LOI nor the execution hereof as provided below, shall be binding on any party until the formal Agreement is executed by all parties.

10. Upon execution of this LOI SeaPac will provide access to IGWA to begin engineering work, IGWA will proceed to file and process with IDWR mitigation plans and transfer applications as contemplated and the parties will proceed to negotiate a final Agreement incorporating the terms and conditions as outlined above.

Idaho Ground Water Appropriators, Inc.

By:


Tim Deeg, Resident

SeaPac of Idaho, Inc.

By:

