

GENERAL OUTLINE OF TERMS AND PROVISIONS OF MEMORANDUM OF AGREEMENT BETWEEN THE STATE AND BOSTWICK IRRIGATION DISTRICT

Parties

- The Agreement will be entered into between the State of Nebraska, Department of Natural Resources, and Bostwick Irrigation District in Nebraska.

Recitals

- The District has the rights to natural flow and storage use rights for a water supply for the 2006 Irrigation Season.
- The State desires to purchase and/or lease the use of a portion of the District's water supply for the 2006 Irrigation Season and the District is willing to sell and/or lease the use of a portion of its water supply to the State for the 2006 Irrigation Season.
- The duration of the Agreement will be from the execution of the Agreement to the end of the Irrigation Season. There will be no extension or renewal of the Agreement unless further agreed to in writing by the parties.

Definitions

- "Water Supply" shall mean the Water Supply determined by the U.S. Bureau of Reclamation (hereinafter "Bureau") under its water storage permit for Harlan County Lake as calculated and published by the Bureau for January 2006 according to the Harlan County Lake Operation Consensus Plan (hereinafter "Consensus Plan"), and natural flow that may become available for diversion at the Superior-Courtland Diversion Dam during the Irrigation Season.
- "Irrigation Season" shall mean the date beginning with the commencement of water deliveries for direct irrigation at the Superior-Courtland Diversion Dam and ending on the date of the last water delivery for direct irrigation, which date shall be no later than September 1, 2006.

District's Performance

- The District agrees to sell and/or lease the rights to the use of its Water Supply for the period from the date of the execution of the Agreement to the end of the Irrigation Season.
- The District agrees to consult and collaborate with the State, the Natural Resources Districts and other basin water resource interests during the modification of the Integrated Management Plans and associated Rules and Regulations now in effect with the several Natural Resources Districts for the Republican River Basin.
- The District will, prior to execution of the Agreement, affirm that it has received authorization to enter into the Agreement by obtaining the requisite affirmative vote of its electors, in

accordance with all relevant state statutes and District procedures, at a duly authorized meeting of the District.

- The District agrees to defend and uphold the provisions of the Agreement to ensure the purchase and/or lease of the use of the District's 2006 Water Supply to the State.

State's Performance

- The State of Nebraska will pay the sum of two million five hundred thousand dollars (\$2,500,000.00) to the District, as payment in full to purchase and/or lease the use of the District's Water Supply, within sixty (60) days of the execution of this Agreement. This payment compensates the District for the sale and/or lease of its Water Supply to the State for the term of the Agreement. The State will also make a one time payment of sixty-four thousand five hundred dollars (\$64,500.00) to the District to assist the District in its payments of the annual operation and maintenance charges assessed by the U.S. Army Corp of Engineers.
- The State agrees to consult and collaborate with the District, the Natural Resources Districts and other basin water resource interests during the modification of the Integrated Management Plans and associated Rules and Regulations now in effect with the several Natural Resources Districts for the Republican River Basin.
- The State agrees to do everything in its power, independently and in conjunction with, the District and its water users to assure the normal continuation of farm commodity assistance, federal crop insurance or other agricultural assistance programs which have been available to District water users in the past. However, this provision shall not be interpreted as a guaranty of any water user's ability to participate in any farm commodity assistance, federal crop insurance or other agricultural assistance programs which have been available to District water users in the past.
- The State will continue to work with the Natural Resources Districts and surface water irrigation districts to meet Nebraska's obligations under the Republican River Compact and Settlement Agreements.
- The State will, prior to execution of the Agreement, appropriate and secure the funds necessary to meet its obligations under this Agreement.
- The State agrees to defend and uphold the provisions of the Agreement to ensure the purchase and/or lease of the use of the District's Water Supply to the State.

The Parties Mutually Agree

- The parties agree to work with the Natural Resources Districts in meeting the goals and objectives identified in their Integrated Management Plans and corresponding groundwater management rules and regulations to help protect, to the extent possible, the District's 2006 Water Supply which includes storage water releases from Harlan County Lake and natural flow.

- The parties agree to rely upon the Bureau for all necessary accounting and administration of the Water Supply during the term of the Agreement as authorized and required under the Consensus Plan and agreements and contracts between the Bureau, District and Kansas Bostwick; and to accept the Water Supply management determinations of the Bureau as authorized and required under the Consensus Plan and agreements and contracts between the Bureau, District and Kansas Bostwick.
- The parties agree that the District retains and reserves the rights to any additional water that it would be entitled to receive under the agreements and contracts between the Bureau, District and Kansas Bostwick, outside of the constraints of the Agreement.

Pending the qualified electors approval of the agreement with the State of Nebraska for the utilization of a portion of the District's water supply, a motion will be made by the Board of Directors to disperse money received from the State back to the land owners at the following rate:

The District will distribute \$71 per acre-inch for the portion of the water supply expected to be available based on the U.S. Bureau of Reclamation's January 2006 forecast. The January estimate is that land under the District could receive a 1.5 acre-inch supply for each acre under the District. To determine what an individual landowner would receive you would use the following formula and then subtract any unpaid assessment:

$$\frac{\$71}{\text{acre-inch}} \times \frac{1.5 \text{ acre-inch}}{\text{acre}} \times \text{total acres} = \$\text{Reimbursement}$$

Example Based on Landowner with 91 assessed acres:

$$\frac{\$71}{\text{acre-inch}} \times \frac{1.5 \text{ acre-inch}}{\text{acre}} \times 91 \text{ acres} = \$9691.50 \text{ Reimbursement}$$

In the example \$9691.50 would be reduced by any unpaid assessments, including the 2006 assessment. The balance would be sent to the current land owner who is responsible for the 2006 assessment.

This reimbursement will not be affected by enrollment in CREP, CRP, EQIP or other programs.