

RECEIVED

OCT 4 - 2014

October 2, 2014

Mr. Cory Clemetson
Wolf Creek Golf Club
403 Paradise Parkway
Mesquite, NV 89027

Dear Mr. Clemetson:

This correspondence addresses the lease agreement between Paradise Canyon, LLC dba Wolf Creek Golf Club and the Virgin Valley Water District (VVWD). The purpose of this letter is to propose what VVWD believes is a mutually beneficial opportunity for both Wolf Creek and VVWD.

As you are aware, VVWD entered into a Lease of Irrigation Shares with Wolf Creek that commenced on June 1, 2011. The lease is for 155 shares in the Mesquite Irrigation Company. Wolf Creek is paying VVWD \$250 per share annually and the lease will continue at that price until the rate lock expires in 2019. VVWD has become aware that Wolf Creek has not been using a portion of these shares. Information suggests that Wolf Creek uses 120 shares, leaving 35 shares unused.

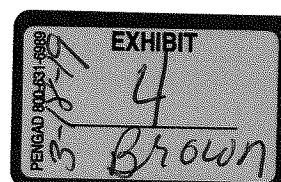
As you may be aware, VVWD has a number of maintenance and capital improvement projects that are needed. VVWD's water system is showing signs of age. Parts of the system are failing more frequently and repairs and upgrades are required. VVWD has engaged an engineering firm to conduct a rate study and VVWD has been exploring an increase in its water rates to help pay for the needed maintenance and capital improvements. VVWD strongly prefers not to raise water rates. Nevertheless, because it appears that a rate increase is needed, VVWD desires to keep that increase as low as possible.

An opportunity has arisen that would assist VVWD financially and which VVWD believes would also benefit Wolf Creek. Southern Nevada Water Authority (SNWA) approved a lease agreement with VVWD on September 18, 2014 whereby SNWA will lease from VVWD whatever number of Mesquite Irrigation Company shares VVWD makes available on an annual basis. The lease price is \$1,246.00 per share annually, approximately five times the amount that Wolf Creek is paying.

In total, Wolf Creek is paying VVWD \$8,750.00 each year for the unused shares. If VVWD were to lease the unused shares to SNWA, VVWD would receive \$43,610.00 each year. Therefore, VVWD could net \$34,860.00 each year if it were able to lease the unused shares to SNWA.

Safe and dependable water for today and tomorrow

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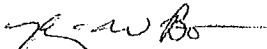
VIRGIN VALLEY WATER DISTRICT

Mr. Cory Clemetson
October 2, 2014
Page 2

VVWD recognizes its lease with Wolf Creek and will honor Wolf Creek's rights under the lease. Still, VVWD believes the lease agreement with SNWA presents a win-win opportunity for all parties. First, Wolf Creek would save \$8,750.00 per year by not having to pay VVWD for shares that are not being used. Second, VVWD would be able to generate net revenue of \$34,860.00 each year by leasing the unused shares to SNWA. This money could be applied towards the maintenance and capital improvement projects that are badly needed. Finally, the Virgin Valley rate payers would benefit because the additional revenue from SNWA would allow VVWD to reduce the anticipated water rate increase.

I look forward to hearing from you regarding the additional shares. If you have any questions, please contact me at the office (702-346-5731), via cell phone (702-533-1892), email (kbrown@vvh2o.com), or regular mail.

Sincerely,



Kevin W. Brown
General Manager, VVWD

C: Bingham & Snow, LLP

On October 2, 2014 the attached letter was sent to you. I'm not sure where you are in your internal discussions, and that can be discussed at the upcoming meeting(s).

Anyway, please let me know of your availability over the next few weeks. Call if you would like additional details.

Thank you,

Kevin
Kevin W. Brown
General Manager
Virgin Valley Water District
Mesquite, NV 89027
Phone: (702) 346-5731 Fax: (702) 346-2594
Email: kbrown@vvh2o.com Web: <http://vvh2o.com/>



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----- Forwarded message -----

From: **Cory Clemetson** <coryclemetson@gmail.com>
Date: Mon, Feb 2, 2015 at 8:47 PM
Subject: Re: Followup Meeting on Excess Water Shares
To: Kevin Brown <kbrown@vvh2o.com>
Cc: "Darrens@golfwolfcreek.com" <Darrens@golfwolfcreek.com>, Kathy Bussman <Kathyb@golfwolfcreek.com>, Nancy <NancyH@golfwolfcreek.com>, "gbenesch@att.net" <gbenesch@att.net>

Hi Kevin-

Happy New Year and sorry for the slow response. My brother and I have been very busy with many other business dealings beyond Wolf Creek and the Mesquite area thus far in 2015.

In response to your email, I would like to remind you that you approached both Wolf Creek and Pulte Dell Webb with an idea (that originated from both you and Aaron Bunker) that the Water District wanted to sell us our currently leased irrigation shares for a price. The reason for the sale stated by you was to help the Water District raise a substantial amount of money for the district in order to assist in maintenance repairs for the district. Wolf Creek and Pulte Dell Webb went through many months of discussions and meetings at your request. Other VVWD Board Members attended and participated in these meetings regularly (Sandra Ramaker/Kenyon Leavitt). After several months of meetings, it appeared we got very close to a price/structure that we could all agree upon. Then we heard nothing from your side for months.

In almost everyone one of these discussions, amongst some of the other items that still needed to be resolved, I made it very clear that even if Wolf Creek agreed on a sale price I would have to go and get our bank's approval and this could take a few months at the very least. I would have to convince the bank of the benefits of the proposed sale mentioned above. I could not guarantee the outcome of what our lender would ultimately approve since they hold an equitable interest in our Irrigation Lease and any change is subject to the lender's approval.

In any event, based on your new and latest proposal which was never discussed nor contemplated during any meeting that either myself or Pulte took place in last year concerning the sale of the leased shares. I am of the opinion that our lender will not approve this new proposal under any circumstances. I base this opinion on the many years of experience my brother and I have had in dealing with this particular bank located in Reno Nevada. We have had many transactions with them in other parts of our businesses. They're a very smart bank and would most likely see little if any benefit to Wolf Creek or themselves in your new proposal. Thus, I don't see any reason to meet with Rich Bowler or Barbara Ellestad at this time or in the foreseeable future regarding the matter as it most likely would be a waste of everyone's time.

Kevin, thank you again for reaching out to us. We sincerely wish you the best in your quest to solve the Water Districts financial problems. I am sorry we could not be of more help.

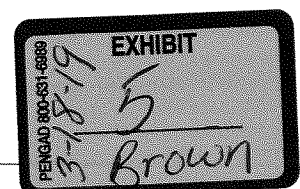
Best regards,

Cory

On Fri, Jan 23, 2015 at 12:27 PM, Kevin Brown <kbrown@vvh2o.com> wrote:
Hi Cory,

It's been awhile. I hope your holidays were nice and 2015 is starting out well for you.

As you are probably aware, the District is near the end of rate increase discussions. Part of the consideration on rates is the attempt to project various income sources/amounts with water leasing being one of them. The District is also just starting our budget process for next fiscal year (July 1 - June 30). One of the issues we are dealing with is how much can we count on for additional income through additional leases to SNWA. One of our board members wants to move the discussion along and would like to meet with you in the next two to three weeks and put the issue on our February 17, 2015 board meeting agenda.





October 18, 2017

Wolf Creek Golf Course
Attn: Cory Clemetson
403 Paradise Parkway
Mesquite, NV 89027

Dear Wolf Creek Golf Club,

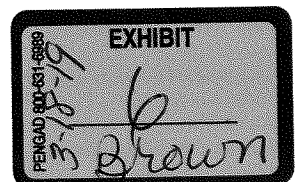
The purpose of this letter is to address some important issues related to your Lease of Irrigation Shares with the Virgin Valley Water District. The District believes the lease must be promptly amended so that shares you are not using are returned to the District. Based on metered water use records, you are only using 110 of the 155 leased shares. That means that the water associated with the other 45 shares is unused and is effectively being wasted. Stated another way, you are paying \$11,250 (45 shares x \$250/share) every year for water you are not even utilizing.¹ The District is also losing out on \$44,842.50 of lease income (45 shares x \$1246.50 - \$11,250) every year since the District could be leasing the unused shares to one or more third parties for \$1,246.50 per share annually.

This lost revenue is problematic for several reasons. The District has a number of capital improvement projects that need to be completed and which will require substantial outlays of cash. Additionally, while lease rates for the District's irrigation shares have remained quite low for many years, rates for standard water services have increased significantly to keep up with the District's necessary operating and capital expenditures. As a result, the District's standard rate payers are effectively subsidizing your below-market lease rates.

In addition to these financial reasons, there are other important reasons for amending the lease and ensuring that the unused shares are put to beneficial use. First, unused water is contrary to Nevada's longstanding policy of using water for beneficial purposes and all sources of water within the boundaries of the state belong to the public. That is why to acquire a water right there must be a showing that the desired water will be put to beneficial use. Once granted, a water right holder must also generally continue using the water for a beneficial purpose otherwise the right can revert back to the state. While circumstances vary, unused water benefits no one.

Similarly, the District has been recently informed of efforts by Mesquite Irrigation Company (MIC) to demonstrate the beneficial use of all water associated with all MIC irrigation shares. MIC has encouraged and stressed to MIC shareholders, including the District, the importance of

¹ Additionally, the District is willing to prorate and return a portion of the right of first refusal fee you paid previously.



VIRGIN VALLEY WATER DISTRICT

diverting and using all water associated with MIC shares, especially during 2017 and 2018, so that MIC may file Proofs of Beneficial Use with the state for the entire amount of MIC's water rights. The District acquired its irrigation shares at great expense and is committed to preserving and protecting their value, rights, and benefits in the best interests of the District and its rate payers.

The unused water is also problematic because there is at least one other water source available to you, namely, the City of Mesquite's effluent and using the District's shares before the city's effluent violates the terms of your lease. The lease states, "Lessee shall use available recycled or effluent water from the City of Mesquite for Lessee's landscaping or irrigation needs before using the Water represented by the Irrigation Shares." Your failure to use available effluent from the city under these circumstances is also contrary to Nevada public policy. The Nevada legislature has declared, "It is the policy of this State: To encourage and promote the use of effluent, where that use is not contrary to the public health, safety or welfare..." (NRS 533.024).

You have attempted to justify your refusal to use the city's effluent claiming that during the summer months the city is unable to provide enough effluent to meet your needs. Notably, the lease agreement does not include any temporal limitations on your obligation to use the city's effluent. It simply requires that the effluent be "available" and the District is informed there are times when it is not being used by anyone. Your failure to use the available effluent appears to constitute a material breach of your lease justifying rescission of the lease and a return of all shares to the District.

Nevertheless, the District prefers an amiable resolution of this issue. The District is informed that the Mesquite Irrigation Company recently provided you with assurance in connection with recent discussions with the State Engineer that your water needs would still be met, including during the peak summer months, with the reduced number of shares. This assurance should also be sufficient to address any concerns your lender may have since your lender's interest relates to ensuring that the golf course would have sufficient water in the event your lender ever took possession of the course. Additionally, your lender should readily consent to an amendment of the lease as it will serve to put you in a better financial position since you will no longer be paying for water you don't use and will have more available cash to make your loan payments.

Therefore, the District is providing you with one more opportunity to voluntarily agree to amending the lease to reduce the number of leased shares to 110. Please respond within ten days of the date of this letter as the District must make important decisions relating to these matters and time is of the essence.


Sincerely,
Virgin Valley Board of Directors



President, Nephi Julien



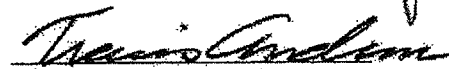
Barbara Ellestad, Director



Vice-President, Ben Davis



Richard Bowler, Director



Travis Anderson, Director



Aaron Bunker <abunker@vvh2o.com>

RE: {EXTERNAL} Re: Re: SNWA opinion on MIC shares

Christine Costello <Christine.Costello@lvvwd.com>
To: Aaron Bunker <abunker@vvh2o.com>

Tue, Nov 7, 2017 at 1:35 PM

I resent the meeting request with a conference line.

Christine M. Costello

Executive Assistant

Water Resources Department

702.258.3250

From: Aaron Bunker [mailto:abunker@vvh2o.com]
Sent: Tuesday, November 07, 2017 12:24 PM
To: Colby Pellegrino <Colby.Pellegrino@snwa.com>
Cc: Kraig Hafen <kraighafen@outlook.com>; Kevin Brown <kbrown@vvh2o.com>; Sean Collier <Sean.Collier@snwa.com>; Greg Walch <greg.walch@lvvwd.com>; Christine Costello <Christine.Costello@lvvwd.com>
Subject: {EXTERNAL} Re: Re: SNWA opinion on MIC shares

That would be great.

Thanks,

Aaron Bunker

Sent from my iPhone

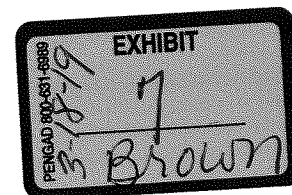
On Nov 7, 2017, at 12:15 PM, Colby Pellegrino <Colby.Pellegrino@snwa.com> wrote:

I have a pretty crazy calendar. Can we try for 2:30? Christine can send a call-in number.

Sent from my iPhone

On Nov 7, 2017, at 12:03 PM, Aaron Bunker <abunker@vvh2o.com> wrote:

Hi Colby,



Thank you for the quick response and willingness to work with MIC and VVWD to find a solution to the water leasing. We are open to the monthly basis leasing idea. Would you have time this afternoon to discuss by phone? Kevin and I are available anytime between 1 and 4 pm this afternoon.

Thanks,

Aaron Bunker

Assistant General Manager & Hydrologist Supervisor

Virgin Valley Water District

500 Riverside Road

Mesquite, NV 89027

Phone: 702 346-5731 Fax: 702 346-2596 Toll Free: 866-857-3105

abunker@vvh2o.com <http://vvh2o.com>



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On Mon, Nov 6, 2017 at 7:02 PM, Colby Pellegrino
<Colby.Pellegrino@snwa.com> wrote:

Hi All,

I know several of you have spoken with Sean today about the willingness of SNWA to lease additional Mesquite Irrigation Company shares from Virgin Valley Water District made available through a modification of golf course leases.

As you are all aware, the value and use of SNWA's shares relates to the ICS program that requires a monthly accounting of water. If you would like to engage in a negotiation on how SNWA could partner to lease water on a monthly basis, we would be willing to engage. However, our existing lease arrangements and our agreement with VVWD do not contemplate leasing water on a monthly basis and we would need further consultation among Mesquite Irrigation Company, VVWD, the golf courses, and SNWA to determine if a suitable arrangement could be reached to lease shares on a monthly basis. Said another way, limiting the golf courses to the number of shares needed to meet their annual requirements has the potential to directly impact SNWA's ICS credits through the monthly accounting and crediting of water conserved and we need to better understand how monthly leases could work within our existing ICS framework before we support the lease of any such shares.

If any of you would like to discuss further, please feel free to contact me at (702) 822-3378.



SOUTHERN NEVADA WATER AUTHORITY

1001 South Valley View Boulevard • Las Vegas, NV 89153
(702) 258-3339 • snwa.com

August 9, 2018

Kevin Brown, General Manager
Virgin Valley Water District
500 Riverside Rd
Mesquite, NV 89027

Dear Mr. Brown:

The Southern Nevada Water Authority (SNWA) has received Virgin Valley Water District's (VVWD) offer to lease shares in the Mesquite (MIC) and Bunkerville (BIC) irrigation companies for Calendar Year (CY) 2019 pursuant to the 2014 Water Lease Agreement (2014 Agreement). For CY 2019, VVWD proposed the lease of 148 MIC shares – an increase of 130 from CY 2018. SNWA believes the additional shares consist of 80 shares turned back to VVWD by the Palms Golf Course and 50 shares recently turned back to VVWD by Conestoga Golf Course. Based on our understanding of golf courses operation in 2019, SNWA will not receive full credit for the additional shares under the approved accounting methods for Tributary Conservation Intentionally Created Surplus (ICS). Consequently, SNWA is not required by its existing agreement with VVWD to lease the additional shares and declines to do so.

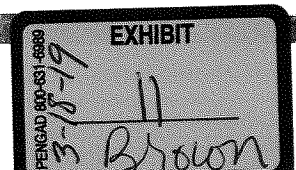
SNWA and VVWD have for some time been discussing VVWD's effort to obtain a benefit from the unused water at the golf courses. SNWA has consistently maintained that accounting impediments and Virgin River Decree issues would prevent SNWA from leasing the shares VVWD believes are unused and available for lease. VVWD has made clear its position that a share represents an annual volume that can be used anytime during the year, and conversely, SNWA believes the Virgin River Decree is clear that a share has monthly use constraints based on the decree's seasonal diversion rates. As recently as February 2018, and in several other prior discussions, we have advised VVWD that the approved ICS accounting method requires SNWA to track the shares, and the duty represented by these shares, on a monthly basis to properly demonstrate to the State Engineer and Bureau of Reclamation that SNWA controlled water is not being used elsewhere. Based on our understanding of proposed 2019 golf course operations, the newly available shares will not be available to SNWA during warmer months of the year.

To make use of the volume of water represented by these shares for ICS purposes, SNWA would need to lease the shares on a monthly basis. This would enable SNWA to vary the number of shares it receives credit for on a monthly basis so more shares would be credited in winter months when golf course use is low, and less (or no) water would be credited in the summer months when golf course use is high. Because the 2014 Agreement does not provide for leasing shares on a monthly basis, SNWA proposed amending it to allow SNWA to lease the unused portion of all of VVWD's MIC shares. In response to VVWD's recent offer, SNWA again suggests that amending the 2014 Agreement is the path forward. Under this proposal, SNWA would pay VVWD in arrears for the unused portions of shares that are leased to irrigators. This would resolve ICS accounting issues and eliminate potential disputes that could arise if, for example, MIC delivers more water than it is entitled to in a given month to satisfy the water demands of the golf courses and other shareholders and lessees such as SNWA.

SNWA MEMBER AGENCIES

Big Bend Water District • Boulder City • Clark County Water Reclamation District • City of Henderson • City of Las Vegas • City of North Las Vegas • Las Vegas Valley Water District

District02486



I have included a draft 2017 and a projected 2019 ICS accounting table (Tables 1 and 2) for MIC to help demonstrate the problems these additional shares would create under the current agreement's process. SNWA would simply not receive full ICS credit if all shares were leased for the entire year. Figure 1 also illustrates the issue SNWA would face if SNWA leased these additional shares. In the summer months, the amount of water SNWA would need to demonstrate it controls would push the total beneficial use of water above the amount of water permitted to MIC (black line on Figure 1). Additionally, there are other shares currently going unused. Full use of those unused shares would exacerbate these issues.

SNWA remains committed to working with VVWD reach an agreement on leasing the unused water at issue. The solution, however, necessitates modification of the 2014 Agreement to permit payment in arrears for unused portions of shares. Please contact me at your earliest convenience so we can continue these discussions and ultimately reach a mutually beneficial solution.

Sincerely,

A handwritten signature in black ink, appearing to read 'C N', followed by a long horizontal line extending to the right.

Colby N. Pellegrino
Director, Water Resources

Att.

cc: Greg Walch, General Counsel

District 02490

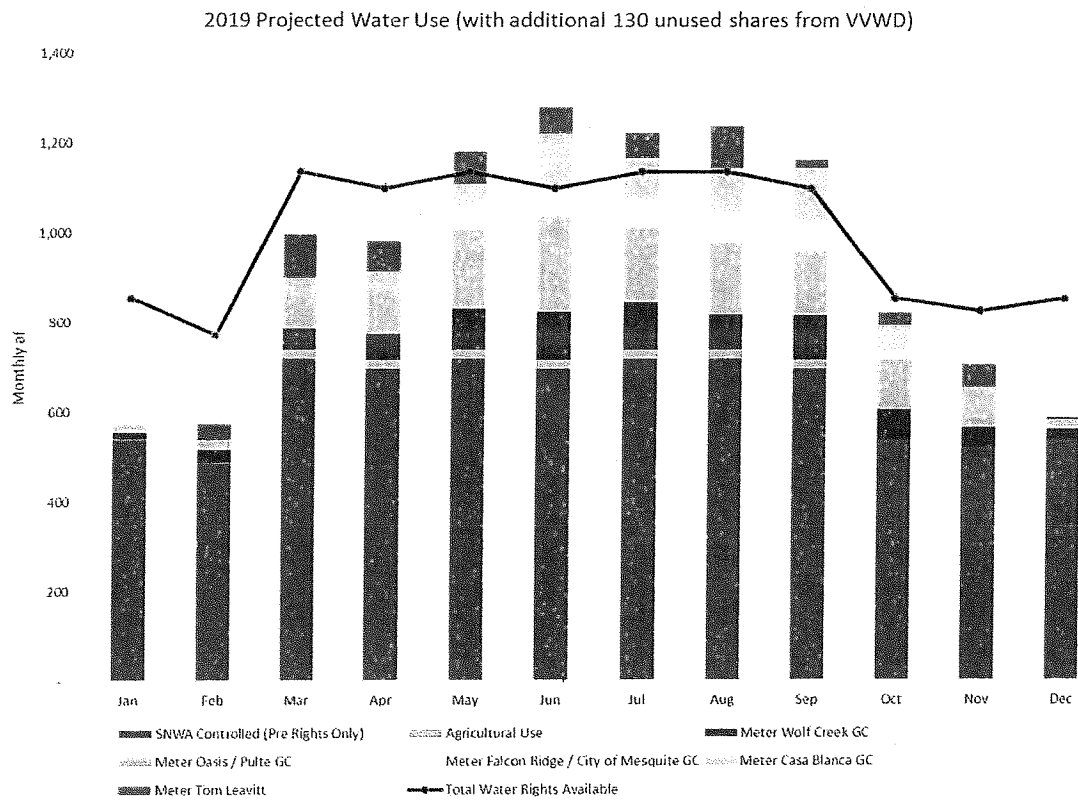


Figure 1 - Projected 2019 ICS Credit vs Amount Available through MIC Water Right Permits

Table 2 - Projected 2019 ICS Accounting for MIC (note deficits of ICS Created vs Acre-Feet per Month Controlled by SNWA)

SNWA Control of Mesquite Irrigation Company in Acre-Feet Per Month for CY 2019															
Iteration		Description	Jan 31	Feb 28	Mar 31	Apr 30	May 31	Jun 30	Jul 31	Aug 31	Sep 30	Oct 31	Nov 30	Dec 31	Total
A		# Days													365
B	Water Right	Decreed Acreage	1,067.28	1,067.28	1,067.28	1,067.28	1,067.28	1,067.28	1,067.28	1,067.28	1,067.28	1,067.28	1,067.28	1,067.28	1,067.28
C	Acres	Certificate 4509 Shares (EJ) (acres)	468	468	468	468	468	468	468	468	468	468	468	468	468
D=B+C		Total Pre-GCPA PDU (acres)	1,535.28	1,535.28	1,535.28	1,535.28	1,535.28	1,535.28	1,535.28	1,535.28	1,535.28	1,535.28	1,535.28	1,535.28	1,535.28
C=A*(Summer or Winter)	Water Right	Decree AF/ Acre / Month	6149	5554	8784	8501	8784	8501	8784	8784	8501	6149	5951	6149	9,0589
F=(1.5/365)*A	Duty	Certificate 4509 Acre-Feet Per Acre / Month	3822	3452	3822	3659	3822	3659	3822	3822	3659	3822	3699	3822	4.5
G=(B*E)/(C*F) + (B+C)		Total Pre-GCPA Rights AF / Acre / Month	543	4913	7271	7037	7271	7037	7271	7271	7037	544	5264	544	7,6932
H = D * G	Water Right	Total Volume AF/Acres	835,1202	754,3021	1,116,3721	1,080,3601	1,116,3721	1,080,3601	1,116,3721	1,116,3721	1,080,3601	835,1202	808,1009	835,1202	11,774,4125
I	Water	Measured Acres of Agriculture each Month	538,443	538,443	563,789	563,789	563,789	563,789	563,789	563,789	563,789	538,443	538,443	538,443	538,443
J= D - I	Controlled	(Excess Acreage each Month)	996,8371	996,8371	971,4909	971,4909	971,4909	971,4909	971,4909	971,4909	971,4909	996,8371	996,8371	996,8371	996,8371
K = (J * G)	by Following	Water Controlled by Followed Land (af)	542,2326	489,7595	706,4154	683,6278	706,4154	683,6278	706,4154	706,4154	683,6278	542,2326	524,7412	542,2326	7,517,7423
L	Shares	Total Number of MIC Shares	1,673.25	1,673.25	1,673.25	1,673.25	1,673.25	1,673.25	1,673.25	1,673.25	1,673.25	1,673.25	1,673.25	1,673.25	1,673.25
M = H / L	AF/Share	Acre-Feet per Share Per Month	.4991	.4508	.66710	.64567	.66710	.64567	.66710	.66710	.64567	.4991	.493	.4991	7.0389
SHC	SNWA Shares	Shares Controlled by SNWA	1,079.915	1,079.915	1,079.915	1,079.915	1,079.915	1,079.915	1,079.915	1,079.915	1,079.915	1,079.915	1,079.915	1,079.915	1,079.915
N = SHC * M	SNWA Controlled in AF	Acre-Feet Per Month Controlled by SNWA	538,9863	486,8263	720,5062	697,2641	720,5062	697,2641	720,5062	720,5062	697,2641	538,9863	521,5927	538,9863	7,599,202
K > N		If conservation > than SNWA right?													Yes
		Total ICS Controlled	539	487	706	684	706	684	706	706	684	539	522	539	7,502

District 02489

Table 1- 2017 ICS Report MIC Share Accounting

		SNWA Control of Mesquite Irrigation Company in Acre-Feet Per Month for CY 2017														
		Description		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
		# Days		31	28	31	30	31	30	31	31	30	31	30	31	365
A																
B	Water Right	Decreed Acreage (acres)	1,067.28	1,067.28	1,067.28	1,067.28	1,067.28	1,067.28	1,067.28	1,067.28	1,067.28	1,067.28	1,067.28	1,067.28	1,067.28	1,067.28
C	Acresage	Certificate 2528 (The-B/C) (acres)	468	468	468	468	468	468	468	468	468	468	468	468	468	468
D = B + C		Total Pre-B/C/P4 P/R (acres)	1,535.28	1,535.28	1,535.28	1,535.28	1,535.28	1,535.28	1,535.28	1,535.28	1,535.28	1,535.28	1,535.28	1,535.28	1,535.28	1,535.28
E = A * (Summer or Winter)	Water Right	Duties (af)	6149	5554	8764	8501	8784	8501	8784	8784	8501	6149	5951	6149	9,0589	
F = (4.5/365)*A	Duty	Certificate 4208 (af)	3822	3402	3822	3659	3822	3659	3822	3822	3659	3822	3699	3822	4.5	
G = ((B+E)-(C+F)) / (B+C)		Total Pre-B/C/P4 Rights (af)	544	4913	7271	7037	7271	7037	7271	7271	7037	544	5264	544	7,6692	
H = D * G	Water Right	Total Volume (af)	835,1202	754,3021	1,116,3721	1,080,3601	1,116,3721	1,080,3601	1,116,3721	1,116,3721	1,080,3601	835,1202	808,1809	835,1202	11,774,4129	
I	Water	Mesquite Agriculture each Month (af)	538,443	538,443	503,785	563,785	563,785	563,785	563,785	563,785	563,785	563,785	490,071	490,071	490,071	
J = D - I	Conserved	Fallowed Land (af)	996,8371	988,8371	971,4909	971,4909	971,4909	971,4909	971,4909	971,4909	971,4909	971,4909	1,045,2089	1,045,2089	1,045,2089	
K = (J * G)	by Fallowing	Water Conserved by Fallowed Land (af)	542,2326	488,7585	706,4154	683,6278	700,4154	683,6278	706,4154	706,4154	683,6278	508,5446	500,2044	508,5446	7,595,8294	
L	Total MIC	Total Number of MIC Shares	1,673.25	1,673.25	1,673.25	1,673.25	1,673.25	1,673.25	1,673.25	1,673.25	1,673.25	1,673.25	1,673.25	1,673.25	1,673.25	
M = H / L	AF/Share	Acre-Feet per Share Per Month (af)	.4991	.4508	.66719	.64567	.66719	.64567	.66719	.66719	.66719	.4991	.483	.4991	7.0389	
SHC	SNWA Shares	Shares Owned by SNWA	949,915	949,915	949,915	949,915	949,915	949,915	949,915	949,915	949,915	949,915	949,915	949,915	949,915	
N = SHC * M	SNWA Controlled in AF	Contributed by SNWA (af)	474,1032	428,2223	633,7718	613,3275	633,7718	613,3275	633,7718	633,7718	613,3275	474,1032	458,8095	474,1032	6,684,4112	
K > N		In Corporation > than SNWA rights													Yes	
		Total ICS Created (af)	474	428	634	613	634	613	634	634	613	474	459	474	6,684	

District 02488

From: [Bo Bingham](#)
To: [Greg Walch](#)
Subject: {EXTERNAL} RE: Conestoga Shares
Date: Monday, August 13, 2018 9:29:57 AM
Attachments: [VVWD Leasing Shares.pdf](#)

Do you have some time to jump on the phone today to discuss the attached letter?

Jedediah Bo Bingham | BINGHAM SNOW & CALDWELL | Licensed in Nevada, Arizona and Utah
840 Pinnacle Court, Suite 202 | Mesquite, Nevada 89027 | 702.346.7300 | 702.346.7313 f | bo@binghamsnow.com
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From: Greg Walch <greg.walch@lvvwd.com>
Sent: Wednesday, August 8, 2018 9:39 AM
To: Bo Bingham <bo@binghamsnow.com>
Subject: RE: Conestoga Shares

We are still evaluating the matter. How about you guys?

From: Bo Bingham [<mailto:bo@binghamsnow.com>]
Sent: Tuesday, August 7, 2018 1:44 PM
To: Greg Walch <greg.walch@lvvwd.com>
Subject: {EXTERNAL} RE: Conestoga Shares

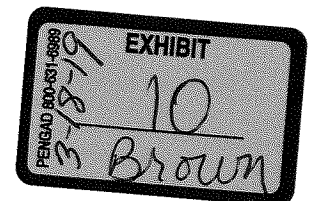
Are you guys filing an amicus brief in the Mineral County, Walker Lake matter?

Jedediah Bo Bingham | BINGHAM SNOW & CALDWELL | Licensed in Nevada, Arizona and Utah
840 Pinnacle Court, Suite 202 | Mesquite, Nevada 89027 | 702.346.7300 | 702.346.7313 f | bo@binghamsnow.com
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From: Greg Walch <greg.walch@lvvwd.com>
Sent: Thursday, April 19, 2018 12:56 PM
To: Bo Bingham <bo@binghamsnow.com>
Cc: Colby Pellegrino <Colby.Pellegrino@snwa.com>
Subject: Conestoga Shares

Bo,

I've had a chance to discuss the additional 50 shares with our water resources group, and we've reviewed the draft amendment with Conestoga. VVWD's proposed guarantee in Paragraph 4. of 100 shares being sufficient water for Conestoga, paired with your (and MIC's counsel's) interpretation that the decreed rights owned by MIC have only annual and not monthly flowrate limitations (a view we do not share), leads us to the conclusion that we would be unable to use the





Aaron Bunker <abunker@vvh2o.com>

VVWD/SNWA Agreement

Colby Pellegrino <Colby.Pellegrino@snwa.com> Mon, Nov 19, 2018 at 12:38 PM
To: Kevin Brown <kbrown@vvh2o.com>, Aaron Bunker <abunker@vvh2o.com>, Greg Walch <greg.walch@lvvwd.com>, "bo@binghamsnow.com" <bo@binghamsnow.com>, SC Anderson <SC.Anderson@lvvwd.com>
Cc: Sean Collier <Sean.Collier@snwa.com>

Hi All,

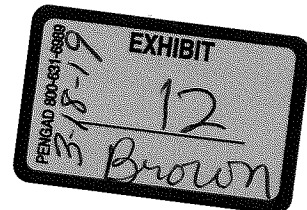
I had promised a proposed revision to the agreement between SNWA and VVWD to account for all of the unused water from SNWA shares early this week. However, I misspoke at the meeting as I had said that the metered data was already being used in the accounting. In actuality, Sean has prepared draft accounting reports that would utilize the metered data, but currently, we only use acreage in the calculations. In order to proceed as discussed we need to transition to using the metered data.

There are some benefits to transferring to the metered data, however, particularly in the summer, an early examination of the metered data shows that the golf courses may actually be using MORE water in the summer than the fallowed acreage methodology.

I hate to be the person to delay further, but I would suggest we prepare a mock accounting to compare the existing method with the method using the meters and review that together in person before I try to document it all in the proposed amendment. Would it be possible to meet on Monday, December 3, or Tuesday December 4 for this review?

Thanks,

Colby



50 shares to their full extent (because the course demands during several months of the year would exceed the water available under 100 shares during those months). One solution, which I proposed yesterday, would be to limit the deliveries to the course to that available under the decree on a monthly basis for 100 shares of MIC. That could be papered in your transaction by expressing the volumetric limit on a monthly basis and making SNWA a third-party beneficiary to the limitation. Based upon our differing interpretations of the decree, and because of the noted guarantee, you suggested that approach would not work.

An alternative, which we discussed in Vegas when you met with us and I again discussed with staff today, was to go ahead and amend our agreement with VVWD to lease the unused portion of all of VVWD's MIC shares. While this approach is more complicated and involves going to both boards, it resolves several issues and has other potential benefits for both parties. First, the monthly versus annual limitation question does not arise because the water delivered to the course would be metered, subtracted from the total water available under VVWD's MIC shares leased to the course, and SNWA would pick up the difference. It wouldn't matter if the course used all 150 shares during August and September for instance. Second, it avoids potential conflict between all the parties that would be occasioned if MIC deliveries to SNWA during any given month are not what SNWA believes they should be. Third, because the metering would be the basis of payment, it resolves the ICS accounting questions we could get from other basin stakeholders. In addition, VVWD would likely see increased lease revenue if your suggestion that there is additional water at Conestoga is accurate. And finally, we would not have to limit the agreement to Conestoga. If VVWD has other MIC shares that go unused during certain times of year, we can meter those uses and pick up the unused water in the same way. The key is that all such uses would have to be metered and you would need to build in access to the meters so that readings could be verified – we would need that assurance to pass the straight-face test with basin stakeholders. SNWA would need to be protected from claims of any third parties as to the unused portion of any shares such third parties lease from VVWD.

Presumably, the amendment you have with Conestoga would be to simply total the unused at the end of the year, which equates to X number of shares over the entire year, and Conestoga wouldn't pay for that number of shares – SNWA would at the rate indicated in the 2014 lease agreement. Seems like a simpler way to go in terms of dealing with potential additional unused water at Conestoga, and the deal can be applied to all VVWD lessees where adequate metering exists.

Let us know your thoughts at your earliest convenience.

Greg

**A break was taken at 12:08 p.m. for lunch.
The meeting resumed at 12:32 p.m.**

- CIP – Lengthy discussion on the HQ Building Expansion with the line item being increased from \$600,000 to \$1,100,000.
- Long Term Liability – No changes
- Taxes – Will be changed according to salary changes
- Other – No changes
- Budget Summary was reviewed with a Net Cash of negative -\$634,600 with the changes made with this review.

Lease rates were discussed. The current rate is set at as in the agreement between the District and SNWA for \$1,246 for a MIC (Mesquite Irrigation Company) share and \$1,512.50 for a BIC (Bunkerville Irrigation Company) share. This is the current lease amount the District has approved for any shares that may become available for leasing. According to the SNWA agreement, an increase in the CPI-U of 1.0828 will increase the share amount on the leases with SNWA from the 2014 agreement. A MIC share will increase to \$1,350/share and a BIC share will increase to \$1,637.75/share. Other lease agreements between SNWA and other MIC and BIC shareholders is currently at \$1,083.18/MIC share and \$1,317.64/BIC share; with the 3% escalator, this will increase the lease amounts to \$1,115.67/MIC share and \$1,357.17/BIC share in October 2019. There was continued discussion on the lease amounts and what the Board would lease any available shares at.

Nephi Julien moved to set the District's lease amount for any shares that may become available to lease in Fiscal Year 2020 at \$1,115.67 for a MIC share and \$1,357.17 for a BIC share. John Burrows seconded the motion and it was unanimously carried. 5-0

8. General Manger's Report

Reopened with a question from John Burrows regarding the land for Well 26A. Kevin stated that the item was tabled at the City Council's meeting, but after Kevin either heard from, or spoke with City council members, they are all on the same page that going forward, the City will be charging and getting fair market value for land owned by the City regardless of who is purchasing the property.

9. Public Comment

There was no public comment at this time.

10. Adjournment

President Nephi Julien adjourned the meeting at 1:28 p.m.

(NOTE): The minutes of this meeting have been recorded and will remain on file in the District office for a five-year period for public examination.

Wes began by reviewing Operating Revenues and stated it was a conservative estimate of \$9,470,000. Wes explained the cycle for rate increases/decreases and what would happen in the next fiscal year 2020.

Wes reviewed the non-operating revenues with no changes.

- Salaries & Benefits – Kevin stated that the budget still included an Engineer; one full-time for Meter Department; two part-time for Line & Maintenance; one part-time for Customer Service; and a 3% COLA minus .625% so employees are covering their portion of the PERS increase.

Discussion continued on new employees and part-time employees and the need for such employees. Kevin stated that he was in the process of reciprocity from Utah to obtain his PE in Nevada and he has thought that an Engineer in Training may be a way to go. There was further discussion on an engineer for the District, the economy, and other possible incentives that could be offered. Discussion continued on hiring two full-time in Line & Maintenance and still keeping the 2 part-time included in the budget. There was further discussion of bonuses for merit versus salary increases.

Travis Anderson disclosed that employee, Natalie Anderson, is his wife, but since anything approved is across the board and for all employees he will still vote.

Richard Bowler moved to approve a 3% COLA, minus .625% so employees are covering their portion of the PERS increase across the board as proposed. Ben Davis seconded the motion and it was carried unanimously. 5-0

A short break was taken at 10:15

Meeting resumed at 10:25

- Salaries & Benefits discussion continued with no changes except additions caused by adding another employee.
- Utilities – Account 6110-00, Line Item #3 – Boosters – was increased to \$2,400 from \$1,800.
- Office & Administration – Wes added a line item for an auto dialer at \$2,000 increasing the Proposed Budget total to \$152,140. Account 5260-00 Postage was increased from \$45,000 to \$50,000.
- Contracted Services – Outside Engineering, Account 5320-00, was decreased from \$50,000 to \$25,000. Account 5330-00 Legal & Litigation Expenses was increased to \$200,000 from \$170,000.
- Repairs & Maintenance – Account 5515-00 Fuel was increased to \$55,000 from \$45,000. Account 6120-00 – Well Maintenance was decreased to \$20,000 from \$30,000. Account 6130-00 General Maintenance – Wes increased the budget \$4,000 for extra maintenance to the new Head Quarters (HQ). Line Item #7 – Road Maintenance was increased to \$15,000 from \$5,000. There was a lengthy discussion regarding the increase to account 6380-00 Meter Maintenance because of moving to Sensus meters from Badger meters.
- Capital Outlay – Travis suggested increasing the amount on Account 1520-00 Transmission Structures, Line Item 3 – Town Wash Pipe Replacement to \$300,000 from \$200,000. Account 1580-00 Machinery & Equipment, Line Item #5 Honda Pioneer was changed to a “Side by Side” and increased to \$25,000 from \$15,000.

stated that the agreement has been reviewed by staff and legal counsel. The cost of \$600,000 will include a switch gear at the site and it is almost half the cost.

Discussion continued on the kind of power going out at Well 34 site and if this would be enough for future needs. Aaron explained that it will depend on the test pumping and what the well will produce. The power has been sized on the higher side of what the well may produce (3,000 gpm), but the power will be specifically for that well.

John Burrows moved to approve the agreement between the Virgin Valley Water District and Lincoln County Power District for LCPD to install and construct electrical facilities and to provide electrical service to VVWD's Well Site 34 located in Lincoln County as presented. Nephi Julien seconded the motion and it was unanimously carried. 4-0

Board member Ben Davis arrived at 9:12

6. Accountant's Report

Wes had included a written report and heard no questions or comments from the Board.

7. Hydrologist's Report

Aaron had included a written report. Aaron also informed the board that the Well 31 rehab was underway with an acid treatment. The Notice of Award has been issued to Layne Christensen for the rehab of Well 28.

The District received a check from SNWA for the leasing of some of the District's irrigation shares and staff will be meeting with SNWA March 7, 2019 to discuss the remaining shares.

8. General Manager's Report

Kevin had included a written report. Kevin further stated that staff has a meeting set up with the Bureau of Reclamation in April with the person responsible for overseeing the ICS water requirements and also to see about the possibility of considering other alternatives than SNWA for Virgin River water.

Kevin stated that the District is working with Mountainland Supply on a pilot program looking at converting from Badger meters to Sensus meters.

There was some discussion on the NW Tank project.

Aaron shared information from his meeting with SNWA regarding the accounting of Virgin River water.

5. For Discussion & for Possible Action – Consideration of issues and information related to the District's proposed budget for its next fiscal year beginning July 1, 2019 and ending June 30, 2020. Issues to be considered may include, but are not limited to, projects anticipated to be undertaken, continued or completed during the District's next fiscal year; anticipated revenue required for the District's next fiscal year, and the sources for such revenue, including the lease of irrigation shares; and the anticipated costs and expenses of the District during its next fiscal year.

VIRGIN VALLEY WATER DISTRICT SPECIAL BUDGET BOARD MEETING
VIRGIN VALLEY WATER DISTRICT OFFICE
MARCH 6, 2019

Minutes of a Regular Board Meeting of the Virgin Valley Water District Board held on March 6, 2019, at the Virgin Valley Water District Office at 9:00 a.m. Attending were President Nephi Julien, Vice-President Ben Davis arriving at 9:12 a.m., and Board Members Richard Bowler, Travis Anderson, and John Burrows. Also present were District General Manager Kevin Brown, District Hydrologist Aaron Bunker, District Accountant Wesley Smith, District Secretary-Treasurer Mary Johnson, Supervisors Philip Abbott, Steve Tietjen and Rob Faught and other interested parties of agenda items.

- **President Nephi Julien called the meeting to order at 9:03 a.m.**
- **Nephi Julien offered a Prayer**
- **Philip Abbott led the pledge**
- **Public Comment** – Linda Fass questioned if solar power would be a possibility for the new Well 34 and was informed by Aaron that the well will be on BLM land and solar power was not included in the ROW permit.
- **Board Comments** – None
- **President of Board Comments** – None

CONSENT AGENDA:

Nephi stated that he wanted to move items 6, 7 and 8 before item #5.

Richard Bowler moved to approve the agenda with the proposed changes of moving items 6, 7 and 8 before item #5 and the consent agenda as listed below. Travis Anderson seconded the motion and it was unanimously carried. 4-0

1. For Possible Action – Approve Agenda
2. For Possible Action – Approve Minutes from 2/19/19 Regular Meeting
3. For Possible Action – Approve Bills Paid since last public meeting \$365,753.42

**** END OF CONSENT AGENDA ****

4. For Discussion & for Possible Action – Consideration to approve an agreement between the Virgin Valley Water District (VVWD) and Lincoln County Power District (LCPD) for LCPD to install and construct electrical facilities and to provide electrical service to VVWD's Well Site 34 located in Lincoln County.

Aaron had included a memo and informed the board that Well 34 would be constructed approximately 1-mile North of Well 32 and the LCPD substation. The agreement before the board for approval is to have LCPD provide power and the costs associated with that. Aaron further

