

Addendum to Trust Water Right Agreement (SwiftWater Ranch)

This Addendum to Trust Water Right Agreement ("Addendum") is made and entered into as of the 12th day of ~~SEPTEMBER~~ 2011, by and between the Washington State Department of Ecology, State Trust Water Right Program ("Ecology") and SwiftWater Ranch ("SwiftWater"), and intended to supplement the Trust Water Right Agreement between Ecology and SwiftWater dated April 12, 2011, and pertaining to the applications submitted by SwiftWater under WRTS File Nos. CS4-02255(A)CTCL@2, CS4-02255(B)CTCL@2, and CS4-02255(C)CTCL@2 (collectively, the "Applications"), and the water rights described therein ("Agreement").

In consideration of the mutual covenants and undertakings as hereinafter set forth, and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto hereby agree to supplement the Agreement as follows:

1. **Residential Connection.** For purposes of this Addendum and the Agreement, "Residential Connection" means a year-around potable residential supply of groundwater from a well, which residential supply is equal to three-hundred fifty (350) gallons per day and the quantity of water necessary for seasonal irrigation of up to one thousand (1000) square feet of lawn area.

2. **Third Party Sales/Uncommitted Trust Water Rights.** Ecology has determined that a proposed sale or transfer to third parties of a portion of the Water in Trust as mitigation for a water budget neutrality determination authorizing year-around residential groundwater use will likely result in a nominal reduction in flow after the end of the irrigation season. This reduction in flow is often concurrent with the lowest natural base flows of the year. Consequently, the nominal reductions may negatively affect Teanaway River aquatic resources, including fish production. Ecology and SwiftWater agree that investing in one or more upstream or headwaters riparian corridor projects would be a desirable way to address this nominal impact. SwiftWater shall deposit Five Hundred Dollars (\$500.00) per residential connection in an escrow or other account managed by a third party ("Reserve Fund") for each transaction that Ecology determines would have such a nominal negative impact.

3. Within ten days of written request from Ecology to SwiftWater or the agent managing the Reserve Fund, all amounts in the Reserve Fund shall be disbursed to the Kittitas Conservation Trust, or other such recipient as Ecology designates in writing, for the exclusive purpose of funding flood plain function and riparian conditions in the Teanaway River Basin.

4. **Remaining Obligations Remain Unchanged.** All obligations set forth in Agreement which are not expressly modified herein shall remain in full effect, without modification, and this Addendum shall be construed in furtherance of, and consistent with, the Agreement.

This Addendum is executed as of the date first above written.

WASHINGTON STATE DEPARTMENT OF ECOLOGY

By 
FOR Mark Schuppe, Section Manager
Water Resources Program, CRO

SWIFTWATER RANCH, LLC
A Washington limited liability company

By 
David Gleason, Its Managing Member