



October 4, 2011

Transmitted Hand and by Electronic Mail

Richard W. Stover
Eberle, Berlin, Kading, Turnbow & McKlveen, Chtd.
P.O. Box 1368
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Re: Hillsdale/Willowbrook

Dear Rich:

Thank you for providing us with the data related to irrigation water right coverage of Hillsdale Estates Homeowners Association property. Our consultant has assisted us in interpreting and analyzing the data. Based upon our analysis of the water right situation, it appears to us that the proposal memorialized in Kay Walker's August 30, 2011 Memorandum regarding the proposed transfer is not acceptable. Please refer to the enclosed aerial photo/map to ensure your understanding of the following analysis.

1. As you will see, there are 6.7 acres of residential lots within Section 28 NWSW covered by water right nos. 63-08376E and 63-7131A. These water rights cannot be transferred without the residential lot owners' permission, and should remain in their current location. This should be acceptable to your client as I believe this was exactly your client's original proposal - that water rights appurtenant to residential lots should remain appurtenant thereto.
2. Additionally, there are Hillsdale Estates HOA residential lots constituting 10.6 acres located in Section 28 SENW (adjacent to the ¼¼ section from which Willowbrook is proposing to transfer the water rights) currently being served by irrigation water diverted using Willowbrook's diversion and distribution system, and for which there are no appurtenant irrigation water rights. It is our suggestion that Willowbrook amend its transfer application to ensure that it is legally providing irrigation water to those residential lots.
3. Finally, the approximately 5.5 acre area around the entry road from State Highway 16 into Hillsdale Estates in Section 28 NESW (again, immediately adjacent to the ¼¼ section from which Willowbrook is proposing to transfer water right) is also

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irrigated by Willowbrook without a water right. It is our suggestion that Willowbrook amend its transfer to provide that this area is legally irrigated as well.

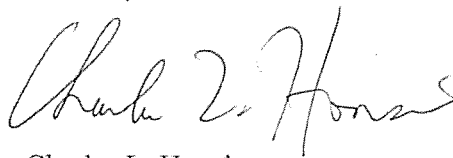
Our suggestions regarding the proposed transfer can be summarized in tabular format as follows:

	Right No. 8376E	Right No. 7131A
Acres in Right	34.0	19.0
Residential Lots	(6.7)	(6.7)
SENW Residential Lots	(10.6)	(10.6)
NESW Entry Area	<u>(5.5)</u>	<u>(5.5)</u>
Acres Transferable to Section 29 NESE	11.2	0.0

Please note that this tabular analysis assumes that Right no. 7131A completely overlaps Right No. 8376E as is stated in SPF's July 27, 2010 Memorandum.

We look forward to your response to our suggestions, including any alternatives you may propose to ensure that areas currently without water rights that are served by Willowbrook's water diversion and delivery system are brought into legal compliance. Thank you.

Sincerely,



Charles L. Honsinger

enclosure

cc: Jon Westra (via electronic mail)
Kay Walker (via electronic mail)
Client

