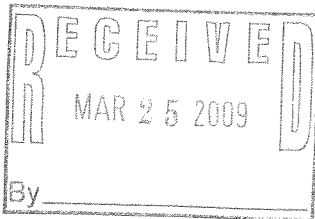


Form 42-1761
01/03

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APR 09 2009

DEPARTMENT OF
WATER RESOURCES



Water Supply Bank No. _____

Water Right No. 95-8262

Kyle

STATE OF IDAHO
DEPARTMENT OF WATER RESOURCES

APPLICATION TO SELL OR LEASE A WATER RIGHT
TO THE WATER SUPPLY BANK

Jointly submitted by:

Name of Seller/Lessor Stimson Lumber Company Phone (208) 765-1414

Post office address PO Box 7400, Coeur d'Alene, ID 83816

and

Name of Seller/Lessor The Mill Sites, LLC (Chad Rountree) Phone (208) 665-2005

Post office address PO Box 3070, Coeur d'Alene, ID 83816

Representative Scott King, SPF Water Engineering LLC, 600 E. River Park Ln, Suite 105, Boise, ID 83706

1. DESCRIPTION OF WATER RIGHT:

Right evidenced by:

- a. Decree No. _____ Decreed to _____ (Name)
in case of _____ vs _____
dated _____ in _____ county of _____ (Name of court)
- b. License No. 95-8262 issued by the Idaho Department of Water Resources.
- c. Permit No. _____ issued by the Idaho Department of Water Resources.

2. DESCRIPTION OF PORTION OF RIGHT FOR SALE OR LEASE: (If the entire right is for sale or lease, show "all" on line a. below and skip the remainder of part 2.)

- a. Amount of water under right: _____ all _____ cubic feet per second &/or
_____ all _____ acre-feet per annum
- b. Point of diversion: NW 1/4 of NW 1/4 of Section 10 Township 50N Range
4W, B.M. in Kootenai County.
- Additional points _____

c. Place of use:

TWP	RGE	SEC	N E				N W				S W				S E				Totals
			NE	NW	SW	SE	NE	NW	SW	SE	NE	NW	SW	SE	NE	NW	SW	SE	
50N	4W	10																	

If the right is for irrigation, show the number of acres for the part of the right to be put into the bank.

Total number of acres _____

3. ADDITIONAL INFORMATION ABOUT RIGHT, OR PORTION THEREOF, FOR SALE OR LEASE

- a. Explain how the seller/lessor acquired the right, or portion thereof, and attach a copy of the deed to the land to which it is appurtenant or other evidence of ownership of the right. If the right is not recorded in the name of the seller/lessor, attach a copy of a change of ownership form as required by Section 42-248 or 42-1409(6), Idaho Code, together with required documentation.

The Mill Sites, LLC has acquired approximately six percent of the right from Stimson Lumber Company as evidenced by the enclosed Notice of Change in Water Right Ownership and supporting documents.

Stimson Lumber Company is the owner of record and currently owns the remainder of the right.

- b. Describe the frequency of water use under the right, or portion thereof, during the past five (5) years of use. Attach watermaster records, pumping power bills, or other evidence to demonstrate that the right has not been lost through abandonment or forfeiture. (This information is not required if a partial decree has been issued on the right within the last 5 years).

This water right was fully used in 2005 and in years prior. In January 2006, Atlas Mill operations were curtailed. The enclosed water use chart document usage during 2005. Water usage during 2005 is typical of water use during prior years (see attached affidavit of Doug Thompson).

- c. If the right is from a surface water source, describe the period of the year that water is typically available to satisfy the right.

Water is available year around.

- d. Describe any other water rights with the same purpose and place of use as the right, or portion thereof, offered for lease. Will the present place of use continue to receive water from any source? If so, describe.

Water right 95-4597 is also appurtenant to the place of use. The place of use will not receive water from these or any other water rights or sources during 2008.

- e. If the water right is a permit, describe the work accomplished toward developing the right.

- f. If the right to the use of the water or the use of the diversion works or irrigation system is represented by shares of stock in a company or corporation, or if such works or system is owned or managed by an irrigation district, a written consent of the sale or lease must be attached.

4. REMARKS:

This application is jointly submitted by Stimson Lumber Company and The Mill Sites, LLC.

5. SALE/LEASE AGREEMENT

1. The water right, or portion thereof, described above is offered to the Idaho Water Resource Board:

_____ For sale;

X For lease for a period from 6/1/2008 to Indefinite
(Day, month, year) (Day, month, year)

(The lease period may be shown as "indefinite", if the total duration of lease is unknown); or

_____ As a gift to the state of Idaho.

2. Show the minimum payment acceptable to the Seller/Lessor. Include the method of determining the minimum payment. The minimum payment may be shown as the "current rental rate".

Current rental rate. _____

I hereby assert that the information contained in this application is true to the best of my knowledge, and that I have the authorities necessary to offer this right for sale or lease to the Idaho Water Resource Board.

The owner/lessor acknowledges the following:

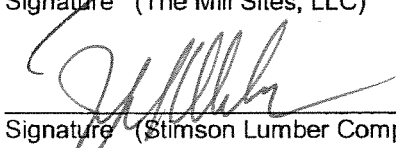
1. Payment to the owner/lessor is contingent upon the sale or rental of the right from the bank.
2. While a right is in the bank, the owner of the right may not use the right even if the right is not rented.
3. A right accepted into the bank stays in the bank until the Board releases it or until the lease term expires.
4. While a water right is in the bank, forfeiture provisions are stayed.
5. Acceptance of a right into the bank does not, in itself, confirm the validity of the right or any elements of the water right.

Date



Signature (The Mill Sites, LLC)

3/19/09
Date



Signature (Stimson Lumber Company)

FOR DEPARTMENT USE ONLY

Received by _____ Date _____ Preliminary check by _____

Watermaster recommendation requested on _____ Received _____

Recommended for _____ approval _____ denial by _____