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JEROME SHULKIN*

ALSO ADMITTED IN OREGON*

RECEIVED
SEP 17 2010
DEPARTMENT OF
WATER RESOURCES
1925 - 1993

September 15, 2010

VIA FACSIMILE (208) 287-6700 AND US MAIL

John W. Homan
Office of the Attorney General
PO Box 83720
Boise, Idaho 83720-0098

Re: Water Permit No. 37-7426

Dear Mr. Homan:

As a reference point, I refer you to my letter to you dated August 12, 2010, your response of August 20, 2010, and Mr. Saxton's letter to Magic MFG, Inc. dated August 31, 2010 (received on September 7th). I have never received direct correspondence from Mr. Ellis.

In my letter of August 12th, I sought a concession that your department not act in derogation of the bankruptcy court without an appropriate hearing. Your response, in effect was: IDWR will act to pass the water rights to Bliss Valley Properties or Pana-Tek, Inc., and if a different court (other than the federal District Court in case no. CV-02-142-S-BLW) reverses or otherwise establishes that the Erkins are the rightful owners, IDWR would change its records.

The issue, as I see it, relates to the decision of the District Court after reconsideration was sought from Judge Windmill. The date of that ruling is most important relative to the effective establishment of ownership. Well and good, but I expected cooperation in permitting an appropriate review to reach the proper determination. Unfortunately, IDWR has chosen to issue a license to Magic MFG, if I read Mr. Saxton's letter correctly.

If I am to seek enforcement from the Florida Bankruptcy Court, I need to reopen the case and seek a directive and sanctions for breach of that Court's Order declaring the Erkins to be the owners of the water rights. Neither IDWR nor the State of Idaho is exempt from the bankruptcy court's jurisdiction to enforce its own order. The process is costly and time consuming, and if the Erkins are successful, the fees and awards may be quite expensive. I have tried to avoid that for the sake of all of the parties and contestants.

If IDWR will hold its position in abeyance while we either meet under agreed terms and get a resolution, or I go before the court in Florida, that will be acceptable, but I want to know

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before I embark on the Florida route. I would appreciate a response by next Monday, September 20, 2010.

Sincerely,
SHULKIN HUTTON INC., P.S.



Jerome Shulkin

cc: Craig L. Saxton (208-287-6700)
Allen B. Ellis (208-345-9564)
Mr. and Mrs. Erkins

JS/me