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MAY 20 2010

DEPARTMENT OF
WATER RESOURCES

13 May 2010

Emalee Rushing
IDWR
322 East Front St.
Boise, Idaho 83720-0098

Re: Water Right No. 37-8409

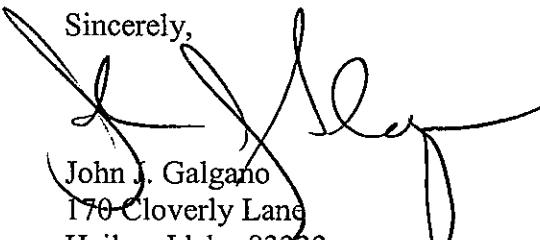
Dear Ms. Rushing;

Please be advised of the following;

1. I have completed the resumption of beneficial use form I received 6 May 2010 from your office for water right no. 37-8409.
2. I have included with the form a copy of Title 42-223 sections 5 and 6 highlighting those paragraphs indicating that we have applied to the Idaho Water Bank to deposit this water right as well as all other water rights held by Silver Sage Owners Association, Inc.
3. I am currently seeking a tenant to lease our water rights so that we may expedite their deposit into the Idaho Water Bank.

If you have any questions regarding this matter please advise soonest, thank you.

Sincerely,


John J. Galgano
170 Cloverly Lane
Hailey, Idaho 83333
208-788-9877

TITLE 42
IRRIGATION AND DRAINAGE -- WATER RIGHTS AND RECLAMATION
CHAPTER 2
APPROPRIATION OF WATER -- PERMITS, CERTIFICATES, AND LICENSES --
SURVEY

42-223.EXCEPTIONS OR DEFENSES TO FORFEITURE. A right to the use of water shall not be lost by forfeiture pursuant to the provisions of section 42-222, Idaho Code, for a failure to apply the water to beneficial use under the conditions specified in any subsection of this section. The legislature does not intend through enactment of this section to diminish or impair any statutory or common law exception or defense to forfeiture existing on the date of enactment or amendment of this section, or to preclude judicial or administrative recognition of other exceptions or defenses to forfeiture recognized in Idaho case law or other provisions of the Idaho Code. No provision of this section shall be construed to imply that the legislature does not recognize the existence or validity of any common law exception or defense to forfeiture existing on the date of enactment or amendment of this section.

(1) A water right appurtenant to land contracted in a federal cropland set-aside program shall not be lost or forfeited for nonuse during the contracted period. The running of any five (5) year period of nonuse for forfeiture of a water right shall be tolled during the time that the land remains in the cropland set-aside program.

(2) A water right held by a municipal provider to meet reasonably anticipated future needs shall be deemed to constitute beneficial use, and such rights shall not be lost or forfeited for nonuse unless the planning horizon specified in the license has expired and the quantity of water authorized for use under the license is no longer needed to meet reasonably anticipated future needs.

(3) A water right shall not be lost or forfeited by a failure to divert and apply the water to beneficial use if the water is not needed to maintain full beneficial use under the right because of land application of waste for disposal purposes including, but not limited to, discharge from dairy lagoons used in combination with or substituted for water diverted under the water right.

(4) A water right shall not be lost or forfeited by a failure to divert and apply the water to beneficial use if the reason for the nonuse of the water is to comply with the provisions of a ground water management plan approved by the director of the department of water resources pursuant to section 42-233a or 42-233b, Idaho Code.

(5) A water right shall not be lost or forfeited by a failure of the owner of the right to divert and apply the water to beneficial use while the water right is placed in the water supply bank or is retained in or rented from the water supply bank pursuant to sections 42-1761 through 42-1765A, Idaho Code, or while the water right is leased pursuant to sections 43-335

through 43-342, Idaho Code, or sections 42-2501 through 42-2509, Idaho Code, or while use of the water is made under any other provision of law authorizing the rental or lease of water rights.

(6) No portion of any water right shall be lost or forfeited for nonuse if the nonuse results from circumstances over which the water right owner has no control. Whether the water right owner has control over nonuse of water shall be determined on a case-by-case basis.