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February 10, 2009

VIA FACSIMILE: 334-2348
State of Idaho
Department of Water Resources
Attn: John Westra
2735 Airport Way
Boise, ID 83705-5082

RECEIVED

FEB 10 2009

**WATER RESOURCES
WESTERN REGION**

Re: Application by Elk Creek Canyon, LLC
Carl F. Reynolds and Sons
CH File No.: 00356-023
Case No.: CV2008 0599

Dear Mr. Westra:

This office represents Carl F. Reynolds and Sons, an Idaho general partnership, which owns water rights in Elmore County consisting of approximately 17.92 cubic feet per second and which are described in the following water rights: 61-7204; 61-7330; 61-7206C; 61-12015; and 61-12017. Carl F. Reynolds and Sons is aware of an application made by Elk Creek Canyon, LLC and/or Cleveland Corder, LLC with your Department regarding a request to approve a transfer of the point of diversion, a change of nature of use, and a change of place of use. Further, in that application, we are advised that the following representation was made "Elk Creek Canyon, LLC has purchased land and water rights within the Cinder Cone Butte Critical Groundwater Area and wishes to move both the point of diversion and place of use to allow first-phase development of a planned community to be known as Elk Creek Canyon." In that application it indicates that it can prove ownership through a warranty deed of these water rights. Finally, on paragraph 6, Item B of the application, it references that the water rights are subject to a contract.

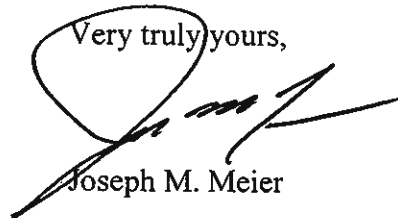
The purpose of this letter is to clarify the ownership claim by the Applicant. At the current time Carl F. Reynolds and Sons is the owner of those water rights and those water rights have not been sold or transferred by Carl F. Reynolds and Sons to this Applicant. While the Applicant does hold a binding contract with Carl F. Reynolds and Sons, which allows it to purchase these water rights if it consummate the terms of that contract, including closing and payment of the purchase price for those water rights, such transfer and closing has not occurred.

Therefore, the final purpose of this letter is to advise you that the owner of these water rights, Carl F. Reynolds and Sons, does not authorize the transfer of these water rights, the change of the point of diversion, the change of the nature of use, or the change of the place of use

unless and until this Applicant has fully consummated and closed on its contract with Carl F. Reynolds and Sons. While Carl F. Reynolds and Sons has agreed to sell these water rights and anticipates that the Applicant will complete its performance under the purchase contract, a premature transfer will prejudice the rights of Carl F. Reynolds and Sons. Therefore we are asking that prior to a final determination of the transfer, that you verify that the Applicant has consummated the purchase of these water rights.

If you have any questions do not hesitate to contact me or Steve Reynolds, a partner in Carl F. Reynolds and Sons (208) 580-2872.

Very truly yours,

A handwritten signature in black ink, appearing to read "Joe Meier", is written over the typed name "Joseph M. Meier". The signature is fluid and cursive, with a large loop at the beginning.

Joseph M. Meier

JMM/jib

cc: Steve Reynolds, Carl F. Reynolds and Sons