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March 9, 2010

Idaho Department of Water Resources
7600 Mineral Drive, Suite 100
Coeur d'Alene, ID 83815

Attn: Bob Haynes

RE: Black Rock Water Rights 95-9045 & 95-9055

Dear Bob:

Thank you for taking the time to meet with myself and Mike Stenberg last Thursday. It was extremely helpful to guide us in completing the proof of beneficial use for the above mentioned water rights. The purpose of this letter is to confirm our discussion with you and to have you confirm that our understanding of the licensing requirements for each water right are correct.

Water Right 95-9045 (Irrigation):

1. The proof of beneficial use due date is September 1, 2010
2. This water right is approved to irrigate a total acreage of 545 acres; whereby irrigation can occur anywhere within the designated place of use for this water right totally, but not exceeding, 545 acres. With the upcoming proof of beneficial use we MUST show a total irrigation of 545 acres, or the right may be reduced.
3. As you are aware a portion of this irrigation right is for future lot irrigation, and it is our understanding that infrastructure does not need to be constructed to these lots to show proof of beneficial use. A portion of the 545 acres of total irrigation right includes lot irrigation; whereby, when lots do come into service the acreage of irrigation at those residences will be included in the 545 acres.
4. The total volume of the irrigation water right is 1215 ac-ft. Our understanding is that the total volume of this right is not reduced or limited during proof of beneficial use. Hence if the irrigation total volume for 2010 is 800 ac-ft, the total volume of the water right would remain at the 1215 ac-ft.
5. The diversion rate for this irrigation right is 2.5 cfs. Infrastructure MUST be installed or proof must be shown that the diversion rate is 2.5 cfs at the time proof is due, or the water right diversion rate will be reduced/limited to the actual diversion capacity of the system.
6. Currently Black Rock has a 123 ac-ft storage volume right for aesthetic uses within our service area. To accomplish future water features ponds could either be used from collected stormwater to supply these features, or the current storage could be used for these features. Additions of water features in the future would require a reduction to the existing storage to insure that not more than 123 acre feet of water is stored. It is our understanding that all of the 123 acre feet of storage volume must be constructed by the time proof of beneficial use in order to be licensed that way.
7. It is our understanding that we must be irrigating a total of 545 acres at least once during a 5 year period to avoid possibility of forfeiture of a portion of the right.
8. In summary, if irrigation of 545 acres and a diversion rate of 2.5 cfs is accomplished and documented by the proof due date, we are in good shape with this irrigation water right.



Water Right 95-9055 (Domestic):

1. The proof of beneficial use due date is August 1, 2011
2. The municipal provider comes into play more than we thought with respect to the domestic water right. I have submitted the amendment to the place of use for this domestic water right to an expanding municipal service area, so we should be in good shape with respect to that item.
3. This water right will not be reduced since infrastructure is not installed to BRN or infrastructure is not stubbed into these lots. Additionally, it is our understanding that there is not a volume limitation placed on this municipal right at licensing.
4. We MUST be able to divert the 1.0 cfs from ground water that the water right is approved for at the time proof is due to be licensed for the full amount.
5. The main item for the domestic right appears to be to make sure the diversion rate is at 1.0 cfs and other than that this water right is in good shape since Black Rock Utilities has a public water system and is a municipal provider.

Thank you for taking the time to review this letter and send me a response confirming that our understanding from last weeks meeting is correct, or if not, correcting any inaccuracies that you may find contained within this letter. If you have any questions or need any additional information please feel free to give me a call at 208.755.4744 or send me an email at kylec@blackrockdevelopment.com.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kyle Capps'. The signature is written in a cursive, flowing style with some loops and flourishes.

Kyle Capps
VP Site Development

cc: File