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DEC 15 2008

Department of Water Resources

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Christopher J. Beeson	Anne C. Kunkel	W. Hugh O'Riordan, LL.M.
Clint R. Bolinder	Jeremy G. Ladle	Angela M. Reed
Erik J. Bolinder	Michael P. Lawrence	Justin A. Steiner
Jeremy C. Chou	Franklin G. Lee	Scott A. Tschirgi, LL.M.
William C. Cole	David R. Lombardi	J. Will Varin
Michael C. Creamer	John M. Marshall	Conley E. Ward
Amber N. Dina	Kenneth R. McClure	Robert B. White
Elizabeth M. Donick	Kelly Greene McConnell	
Kristin Bjorkman Dunn	Cynthia A. Melillo	
Thomas E. Dvorak	Christopher H. Meyer	RETIRED
Jeffrey C. Fereday	L. Edward Miller	Kenneth L. Pursley
Justin C. Fredin	Patrick J. Miller	James A. McClure
Martin C. Hendrickson	Judson B. Montgomery	Raymond D. Givens (1917-2008)

December 15, 2008

Via Email and U.S. Mail

Aaron Marshall
Water Allocation Bureau
Idaho Department of Water Resources
322 East Front Street
P.O. Box 83720
Boise, ID 83720-0098

Re: *Water Supply Bank Application for Water Right No. 95-2200*

Dear Aaron:

This responds to your letter of November 25, 2008 requesting additional information to demonstrate that the above-captioned right was not forfeited before being placed in the Water Supply Bank. To date we have been unable to obtain any additional documentation in the form of power or pumping records. Instead, I am enclosing an affidavit from John F. Magnuson who has personal and detailed knowledge regarding most recent use of the water right through the end of the growing season in 2003. I trust this satisfies the Department's requirements.

We would appreciate hearing from you as soon as possible regarding the status of this application.

The owners wish to have this right submitted to the Water Supply Bank again next year. Because the Department has not yet accepted this right into the bank, you have not provided me with a *Request to Release or Lease Term Extension* form. Should we submit a new water bank application for 2009?

Thank you in advance for your help in this matter. By separate cover, I will submit a *Request to Release or Lease Term Extension* form for Water Right No. 95-2112.

Sincerely,

Christopher H. Meyer

Aaron Marshall
December 15, 2008
Page 2

Encl: Affidavit of John F. Magnuson dated December 15, 2008 (faxed copy enclosed;
original to be forwarded when it arrives)
cc: John F. Magunson
Ericka Buckley

CHM:ch
S:\CLIENTS\18925\CHM Ltr to Aaron Marshall.DOC

AFFIDAVIT OF JOHN F. MAGNUSON

STATE OF IDAHO)
) ss.
COUNTY OF KOOTENAI)

JOHN F. MAGNUSON, being first duly sworn upon oath, deposes and says:

1. I am over the age of eighteen, have personal knowledge of the matters set forth herein, and am otherwise competent to testify thereto.

2. I am a Member and Managing Member of Bluegrass Development, LLC, an Idaho limited liability company.

3. Bluegrass Development, LLC is in turn the only Member of Bluewater Development, LLC, also an Idaho limited liability company. In other words, Bluewater Development, LLC is a subsidiary of Bluegrass Development, LLC.

4. Reference is made to certain property located in Kootenai County, Idaho and described as follows:

The North Half of Section 28, Township 51 North, Range 4 West,
Boise Meridian, Kootenai County, State of Idaho, excepting
therefrom the Northwest Quarter of Section 28.

This property is referred to herein as the subject property.

5. The subject property included Water Right 95-2200.

6. Bluegrass Development, LLC purchased the subject property from the Gladys Jacklin Survivor's Trust and the Owen F. Jacklin Decedent's Trust on August 21, 2003. A true and correct copy of the Deed conveying the property from the Jacklins to Bluegrass Development is attached

hereto as Exhibit A.

7. I am personally acquainted with the Jacklin family and have been so acquainted for seventeen (17) years. Gladys and Owen Jacklin were wife and husband. Owen Jacklin passed away prior to 2003. Gladys and Owen Jacklin had a son, Terry Jacklin. The Jacklin family has been involved in farming in Kootenai County and Eastern Washington for in excess of seventy (70) years.

8. Owen and his two brothers, Lyle and Arden Jacklin, both of whom I knew, formed the Jacklin Seed Company. Jacklin Seed Company is a major domestic and international producer of bluegrass and turf seeds. Terry Jacklin was formerly an employee of Jacklin Seed Company. Terry left the company and pursued his own independent farming operations on the family properties. Terry and his family farmed the subject property, prior to the sale thereof to Bluegrass Development, for in excess of thirty (30) years. Those crops included, during the summer of 2003, bluegrass production. The property was irrigated through the subject Water Right. Prior to sale of the subject property, Terry Jacklin, farming under a Farming Lease from his mother, Gladys Jacklin (the owner of the property), actively farmed the property through the summer growing season of 2003.

9. At the end of the growing season of 2003, on August 21, 2003, Bluegrass Development purchased the subject property. Bluegrass Development then proceeded to preliminarily plat, during the fall of 2003, 47.49 acres of the subject property. This property was platted for residential purposes consisting of approximately 115 lots. The property that was platted was primarily in the northeast corner of the subject property. No disturbance of any kind was made to the subject property for purposes of development until after the purchase in late August of 2003. Construction proceeded from September of 2003 through early December of the same year. This construction was related to the infrastructure for the residential units depicted on the photograph

attached to the State of Idaho Department of Water Resources' November 25, 2008 letter to Bluewater Development, LLC.

10. The Jacklins, in selling the property, wanted to insure that development would not interfere with Terry Jacklin's ability to harvest the crop that he had raised through the summer growing season of 2003.

11. The Jacklin family also owned the adjacent (and westward) 160 +/- acre parcel (to which Water Right 95-2112 is appurtenant). The Jacklin family continued to farm that portion of the overall property during the summer of 2004.

12. I can state as an absolute certainty that the subject property was farmed by the Jacklin family in 2003 as I personally observed the same. Further, as a principal in Bluegrass Development, LLC, I know that the Company could not close the purchase of the same until Mr. Jacklin's crop was removed.

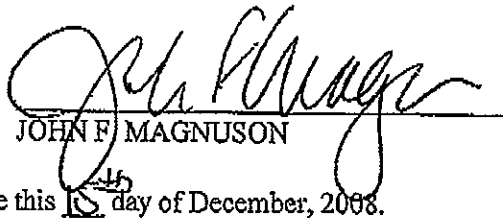
13. Upon my receipt of the November 25, 2008 letter from Aaron Marshall of the Department of Water Resources, I immediately undertook efforts to contact Terry Jacklin as the person most knowledgeable on the matters who could independently confirm that which I have stated herein under penalty of perjury. I attempted to locate Mr. Jacklin through attorney J. Steve Jolley of Spokane, who represented the Jacklin family in negotiating the purchase and sale of the subject property with Bluegrass Development.

14. On December 11, 2008, Mr. Jolley responded by providing me with contact information for Terry Jacklin. Mr. Jacklin now lives in Kingston, Washington. As of the date hereof, I am making contact with Mr. Jacklin, by written correspondence, to outline my request for additional information, to the extent necessary, to satisfy the inquiry made by IDWR in its November

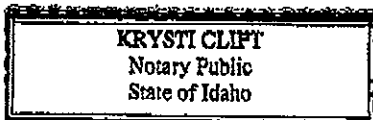
25, 2008 letter to Bluewater Development, LLC.

15. Should I prove successful in reaching Mr. Jacklin, and should he have information responsive to IDWR's request, I will provide the same through supplementation, either by an Affidavit of my own or through an Affidavit of Terry Jacklin. In any event, the same should be unnecessary as I have personal knowledge of the matters set forth herein having personally observed the same, having known the Jacklin family for seventeen (17) years, and having purchased the property to which the Water Right was appurtenant.

DATED this 15th day of December, 2008.


JOHN F. MAGNUSON

SUBSCRIBED AND SWORN to before me this 15th day of December, 2008.




Notary Public in and for the State of Idaho
Residing at: Coeur d'Alene
My commission expires: 11/13/14

BLUEWATER JFM AFF.wpd

1823315

WARRANTY DEED

For Value Received Gladys Jacklin, R. Wesley Yandt, and Janet J. Rogers, as Trustees of the Owen F. Jacklin Decedent's Trust and Gladys Jacklin, R. Wesley Yandt, and Janet J. Rogers, as Trustees of the Gladys Jacklin Survivor's Trust

Hereinafter called the Grantor, hereby grants, bargains, sells and conveys unto

Bluegrass Development, LLC, an Idaho Limited Liability Company

whose address is: 1250 Northwood Center Court, Ste A, Coeur D'Alene, ID 83814,

Hereinafter called the Grantee, the following described premises situated in Kootenai County, Idaho, to-wit:

The North Half of Section 28, Township 51 North, Range 4 West Boise Meridian, Kootenai County, State of Idaho,
EXCEPTING therefrom the Northwest Quarter of Section 28.

"TOGETHER WITH ANY AND ALL WATER RIGHTS, PERMITS AND/OR LICENSES ASSOCIATED WITH OR APPURTENANT TO THE SUBJECT PROPERTY"

SUBJECT TO all easements, right of ways, covenants, restrictions, reservations, applicable building and zoning ordinances and use regulations and restrictions of record, and payment of accruing present year taxes and assessments as agreed to by parties above.

TO HAVE AND TO HOLD the said premises, with its appurtenances unto the said Grantee and to the Grantee's heirs and assigns forever. And the said Grantor does hereby covenant to and with the said Grantee, that the Grantor is the owner in fee simple of said premises; that said premises are free from all encumbrances except current years taxes, levies, and assessments, and except U. S. Patent reservations, restrictions, easements of record, and easements visible upon the premises, and that Grantor will warrant and defend the same from all claims whatsoever.

Dated: August 19, 2003

The Gladys Jacklin Survivor's Trust

BY: Gladys Jacklin, Trustee
Gladys Jacklin, Trustee

BY: R. Wesley Yandt, Trustee
R. Wesley Yandt, Trustee

BY: Janet J. Rogers, Trustee
Janet J. Rogers, Trustee

STATE OF IDAHO
COUNTY OF KOOTENAI
AT THE REQUEST OF
First American Title Company

703 AUG 21 P 1:51

DANIEL J. ENGLISH

DEPUTY
FEES

The Owen F. Jacklin Decedent's Trust

BY: Gladys Jacklin, Trustee
Gladys Jacklin, Trustee

BY: R. Wesley Yandt, Trustee
R. Wesley Yandt, Trustee

BY: Janet J. Rogers, Trustee
Janet J. Rogers, Trustee

EXHIBIT A

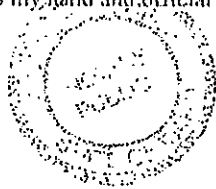
1823315

STATE OF WASHINGTON

COUNTY OF SPOKANE

On this 20 day of August, 2003, before me, the undersigned, a Notary Public in and for the said State and County, personally appeared GLADYS JACKLIN, known or identified to me to be the Trustee of The Gladys Jacklin Survivor's Trust, the person whose name is subscribed to the within instrument and who acknowledged that she is authorized to execute the same.

WITNESS my hand and official seal.

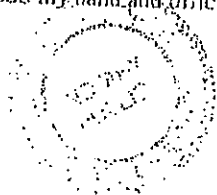


Richard H. Cooper
Notary Public in and for the State of Wash. FOIAH
Residing at: Attn: ED 2H2
My commission expires: 11-04-05

STATE OF WASHINGTON
COUNTY OF SPOKANE

On this 21 day of August, 2003, before me, the undersigned, a Notary Public in and for the said State and County, personally appeared JANET J. ROGERS, known or identified to me to be the Trustee of The Gladys Jacklin Survivor's Trust, the person whose name is subscribed to the within instrument and who acknowledged that she is authorized to execute the same.

WITNESS my hand and official seal.

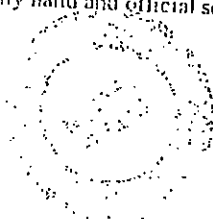


Richard H. Cooper
Notary Public in and for the State of Wash. FOIAH
Residing at: Attn: ED 2H2
My commission expires: 11-04-05

STATE OF WASHINGTON
COUNTY OF SPOKANE

On this 21 day of August, 2003, before me, the undersigned, a Notary Public in and for the said State and County, personally appeared R. WESLEY YANDT, known or identified to me to be the Trustee of The Gladys Jacklin Survivor's Trust, the person whose name is subscribed to the within instrument and who acknowledged that he is authorized to execute the same.

WITNESS my hand and official seal.



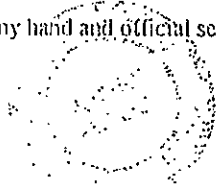
Richard H. Cooper
Notary Public in and for the State of Wash. FOIAH
Residing at: Attn: ED 2H2
My commission expires: 11-04-05

1823315

IDAHO *ML*
 STATE OF WASHINGTON
 Kootenai *ML* SS:
 COUNTY OF SPOKANE *ML*

On this 20 day of August, 2003, before me, the undersigned, a Notary Public in and for the said State and County, personally appeared GLADYS JACKLIN, known or identified to me to be the Trustee of The Owen F. Jacklin Decedent's Trust, the person whose name is subscribed to the within instrument and who acknowledged that she is authorized to execute the same.

WITNESS my hand and official seal.

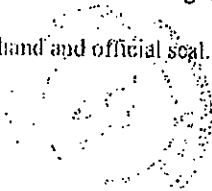


Notary H. Cooper
 Notary Public in and for the State of Wash. *IDAHO*
 Residing at: *ATHEL ID ML*
 My commission expires: *11-04-05*

IDAHO *ML*
 STATE OF WASHINGTON
 Kootenai *ML* SS:
 COUNTY OF SPOKANE *ML*

On this 21 day of August, 2003, before me, the undersigned, a Notary Public in and for the said State and County, personally appeared JANET J. ROGERS, known or identified to me to be the Trustee of The Owen F. Jacklin Decedent's Trust, the person whose name is subscribed to the within instrument and who acknowledged that she is authorized to execute the same.

WITNESS my hand and official seal.

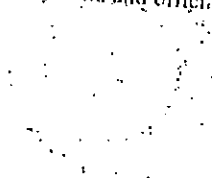


Notary H. Cooper
 Notary Public in and for the State of Wash. *IDAHO*
 Residing at: *ATHEL ID ML*
 My commission expires: *11-04-05*

IDAHO *ML*
 STATE OF WASHINGTON
 Kootenai *ML* SS:
 COUNTY OF SPOKANE *ML*

On this 21 day of August, 2003, before me, the undersigned, a Notary Public in and for the said State and County, personally appeared R. WESLEY YANDT, known or identified to me to be the Trustee of The Owen F. Jacklin Decedent's Trust, the person whose name is subscribed to the within instrument and who acknowledged that he is authorized to execute the same.

WITNESS my hand and official seal.



Notary H. Cooper
 Notary Public in and for the State of Wash. *IDAHO*
 Residing at: *ATHEL ID ML*
 My commission expires: *11-04-05*