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WATER RESOURCES  
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Via Hand Delivery

February 1, 2008

Mr. Steve Lester  
Western Regional Office  
Idaho Department of Water Resources  
2735 Airport Way  
Boise, ID 83705-5082

Re: M3 Eagle LLC's Second Amended Application for Permit  
Our file: 8526-1

Dear Steve:

On behalf of M3 Eagle LLC ("M3 Eagle"), I am submitting the enclosed Second Amended Application for Permit for a municipal water right ("Second Amended Application") for filing with the Department. As you know, M3 Eagle submitted an Amended Application on August 27, 2007 ("Amended Application") which scaled down the original application for a municipal water right permit that we filed with the Department on November 21, 2006 ("Original Application"). The Original Application was assigned the identification number 63-32573, and we assume the application will retain that number in this second amended form. M3 Eagle is now amending the Amended Application because, as a result of input from the City of Eagle and others, it has made further reductions in the number of residential dwelling units and square feet of commercial buildings to be served by the proposed municipal water right.

The greatest change in M3 Eagle's Project is the reduction in residential dwelling units proposed within the Project from 8,160 units to 7,153 units. M3 Eagle has entered an Annexation and Development Agreement with the City of Eagle based on this number.

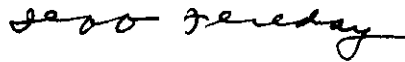
At full Project build-out, the overall yearly consumptive use of groundwater is projected to be 5,381 acre feet, of which approximately 1,552 acre feet will be Reuse Water from tertiary

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treatment and 3,829 acre feet will be consumptively used from direct ground water diversions. The average daily rate of diversion from ground water is expected to be 11.66 cubic feet per second ("cfs") during the 244-day irrigation season and 4.05 cfs during the 121-day non-irrigation season. Averaged over a 365-day period, the annual average daily diversion rate is calculated at 9.03 cfs. The maximum daily (i.e., the "peak day") rate of diversion from ground water is expected to be approximately 23.18 cfs, or about 10,403 gallons per minute ("gpm"). Like the last amendment, this second amendment result proposes a further reduction in ground water diversions for this project.

Thank you for your attention to this matter. Please do not hesitate to call me if you have any questions. We hope that this Second Amended Application can be processed in the near future.

Sincerely,



Jeffrey C. Fereday

cc: Bill Brownlee, M3 Eagle, LLC  
Gerry Robbins, M3 Eagle, LLC  
Ed Squires, Hydro Logic, Inc.  
Steve Holt, Toothman-Orton Engineering Co.  
Scott Wonders, Stanley Consulting, Inc.

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