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JAN 25 2007
DEPT. OF WATER RESOURCES
SOUTHERN REGION

January 24, 2007

Idaho Department of Water Resources
Southern Region
1341 Fillmore Street, Suite 200
Twin Falls, ID 83301-3380
Attn: Jeanne Robertson

Re: Notice of Change in Ownership of Water Rights

Dear Ms. Robertson:

Enclosed for filing on behalf of our client Equity Livestock Credit Corporation ("ELCC") is a Notice of Change in Water Right Ownership form, together with a copy of the Certificate of Foreclosure and Sheriff's Deed whereby ELCC obtained ownership of the land and all appurtenances (including water rights), and a check in the amount of \$50.00 for the filing fee. ELCC has had a mortgage lien on the land since 2000, foreclosed on the land in 2006, and now has title to the land and its appurtenances, including the water rights.

To follow up our recent telephone conversations regarding these water rights, it has recently come to our client's attention that Riverview Dairy entered into an agreement with Idaho Water Co LLC ("Idaho Water Co") for the sale of the water rights in early 2006. No notice of the proposed sale was given to ELCC and at no time did ELCC consent to any sale of the water rights or to any transfer of the water rights to other property. At that time, the partners of Riverview Dairy were in bankruptcy and ELCC was contemplating foreclosure.

The agreement for sale is, by its terms, contingent on the Department's approval of a transfer proceeding, whereby the water rights would be transferred to other real property. An application for such a transfer was filed by Idaho Water Co in early 2006. We understand from you that the applicant Idaho Water Co did not answer the question on the transfer application concerning whether the land and water rights were subject to a lien. In fact, at that time, the property was encumbered by a mortgage in favor of ELCC as well as a mortgage in favor of another lender. Based upon the agreement and the application, Idaho Water Co also has attempted to split the water rights for the

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purpose of selling a portion to another local dairy, with the split being "pending transfer" (according to the ownership change form that was filed by Idaho Water Co).

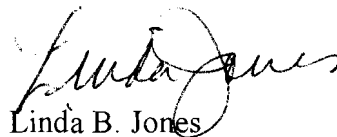
Because the sale and transfer are attempted without notice to or approval by ELCC as lienholder, because by its terms the purported sale is contingent on the approval of the transfer, and because the transfer is subject to ELCC's consent as lienholder and as the current owner of the land to which these water rights are still appurtenant, the transfer cannot be approved and the attempted sale and split of these water rights are void.

Based on the enclosed Notice and copies of the foreclosure deed conveying title to the land and appurtenant water rights to ELCC, please correct the Department's records concerning ownership of and the numbers of these two water rights.

If you have any questions about this filing or any of the above, please contact me.

Sincerely,

HOLLAND & HART^{LLP}



Linda B. Jones

LBJ:lka

Enclosures

cc: Robin MacLeish (Equity Livestock Credit Corporation)
Brent T. Robinson (Ling Robinson & Walker)
Jack Peppersack (IDWR)