

RECEIVED

MAR 29 2006

DEPARTMENT OF
WATER RESOURCES

James E. Burri
John A. Christenson
Robert J. Claiborne
D. Blair Clark
S. Bryce Farris
Jon C. Gould
David Hammerquist
Charles L. Honsinger
James P. Kaufman
Jennifer Reid Mahoney
James G. Reid
Daniel V. Stenerson

William F. Ringert, of Counsel
Alyn L. Sweeney, of Counsel
Samuel Kaufman (1921-1986)

March 28, 2006

Jeff Peppersack
Idaho Department of Water Resources
1301 North Orchard Street
P.O. Box 83720
Boise, ID 83720-0098

Re: Security Interest in Water Right No. 63-31194

Dear Mr. Peppersack,

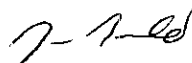
I am writing on behalf of my client, L. Darwin McKay. This letter is submitted in response to the proposed action to remove a security interest in water right no. 63-31194. Sterling Savings Bank has a security interest in above mentioned water right. The security interest was acknowledged by the Department in a letter sent to the water right owner dated January 12, 2005.

The security interest in water right no. 63-31194 is a result of an agreement between my client and Sterling Savings Bank. If the Notice of Security Interest in a water right submitted by the Sterling Savings Bank representative is insufficient, additional documentation confirming that the bank holds a security interest in the water right will be provided to you.

Mr. McKay granted a security interest in water right no 63-31194 to Sterling Savings Bank as part of a major financial agreement between the two. After the acknowledgment of the security interest by the Department, Mr. McKay was unaware of any issues surrounding its validity. Additionally, both my client and I insist upon notice of any Department action regarding Mr. McKay's water rights.

Finally, I have confirmed with the bank that Michael E. Williams is no longer employed by Sterling Savings Bank and the 30-day request for him to respond was impossible to fulfill. Given that (1) Sterling Savings Bank holds a security interest in water right no. 63-31194 as granted by Mr. McKay, (2) the Department failed to notify Mr. McKay of the proposed changes to his water rights, and (3) your January 31, 2006 letter to a Sterling Savings Bank representative was addressed to a party that was not employed by the bank at that time, I assume the water right will continue to show the security interest held by Sterling Savings Bank. Thank you.

Sincerely,



Jon Gould

cc: L. Darwin McKay