

STATE OF IDAHO
DEPARTMENT OF WATER RESOURCES

WATER DISTRICT NO. 37 & 37M

107 WEST 1ST
SHOSHONE, IDAHO 83352
(208) 886-2451



RECEIVED

JUL 10 2008

DEPARTMENT OF
WATER RESOURCES

June 5, 2008

Lawson & Laski, PLLC
Attn: Ed Lawson
Post Office Box 3310
Ketchum, Idaho 83340

Ed,

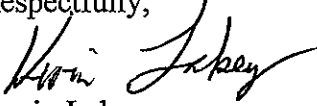
As per your letter dated May 9, 2008 and our phone conversation on June 3, 2008, I am writing to address your concerns over Water Districts 37 & 37M's adoption of Resolution #14 and the subsequent assessment of \$90,000.00 to hire a private consultant to help rebuild Water District records.

After considerable discussion at our May 23, 2008 Advisory Board meeting, Water Districts 37 & 37M agree to implement the following actions:

- 1.) To avoid future possibility of employee conflict of interest, the Districts will adopt the IDWR policy concerning outside employment of Water District employees. (Refer to enclosed policy)
- 2.) The District will not hire an outside consultant to help rebuild District records, but will rely on the IDWR to help clarify any questionable water rights.
- 3.) The \$90,000.00 that was collected in assessments for expenses related to resolution #14 will be set-aside in its own account separate from the other District operating funds. The \$90,000.00 will in effect be returned in 2009 when the assessments will be decreased by the held over \$90,000.00.
- 4.) The Districts will write and send a letter to all water users in both Districts explaining that the \$90,000.00 will not be spent and will be refunded in 2009 through decreased assessments.
- 5.) The annual meeting notice that is sent by the IDWR will reference a link to a Water Districts 37 & 37M web page where the Agenda, proposed Resolutions and Budget can be referenced online before the annual meeting.

After all of the contention related to this matter, I can honestly say that it has been a pleasure working with you. If you have any other concerns, don't hesitate to call.

Respectfully,

A handwritten signature in black ink, appearing to read "Kevin Lakey". The signature is fluid and cursive, with the first name "Kevin" and last name "Lakey" clearly distinguishable.

Kevin Lakey

Watermaster, Water Districts 37 & 37M