

IMPORTANT WATER RIGHTS INFORMATION

YOUR FILING DEADLINE IS: July 17, 2009

FAILURE TO FILE A REQUIRED NOTICE OF CLAIM WILL RESULT IN A DETERMINATION BY THE COURT THAT THE WATER RIGHT NO LONGER EXISTS.

IN THE DISTRICT COURT OF THE FIFTH JUDICIAL DISTRICT OF THE STATE OF IDAHO, IN AND FOR THE COUNTY OF TWIN FALLS

In Re: The General Adjudication of)
Rights to the Use of Water from the)
Coeur d'Alene-Spokane River Basin)
Water System.)

Civil No. 49576

COMMENCEMENT NOTICE

) Kootenai County Property Owners within Zip Code
) Areas 83801, 83803 and 83869 and within IDWR's
) Administrative Basin 95

**TO: ALL PERSONS OWNING RIGHTS TO THE USE OF WATER WITHIN THE
COEUR D'ALENE-SPOKANE RIVER BASIN WATER SYSTEM**

YOU ARE HEREBY NOTIFIED THAT:

On November 12, 2008, the Fifth Judicial District Court in and for the County of Twin Falls issued an order commencing a general adjudication of water rights within the Coeur d'Alene-Spokane River Basin water system in Idaho. A general adjudication is a court case which will result in a decree determining all water rights within a water system. The purpose of the adjudication is to obtain an inventory of water rights to assure proper delivery of water in times of shortage and to provide certainty to property owners. The purpose of this notice is to inform you of the commencement of the adjudication and your legal responsibilities at this stage of the adjudication.

GENERAL REQUIREMENT TO FILE A NOTICE OF CLAIM

Idaho Code § 42-1409 requires that a Notice of Claim be filed for "all water rights within the boundaries of the Coeur d'Alene-Spokane River Basin water system in the State of Idaho", except for certain water rights specifically excluded by law. "All water rights within the boundaries of the Coeur d'Alene-Spokane River Basin water system in the State of Idaho" includes rights to the use of water from any water source, including streams, any springs, lakes, ground water, developed water, waste water, or any other source. A map showing the boundaries of the water system is included at the end of this notice. The Notice of Claim must be filed with the Idaho Department of Water Resources (IDWR).

A Notice of Claim must be filed for all water rights based upon state law by the deadline above, except for *de minimis* domestic and stockwater claims as described below. Water rights based upon state law include historic use rights (established by the diversion and application of water to a beneficial use), decreed rights, licensed rights, or water right permits if proof of beneficial use was filed on or before November 12, 2008. A Notice of Claim or negotiated agreement must be filed for

all water rights based upon federal law by the deadline above, unless an alternative filing schedule is adopted by the Coeur d'Alene Spokane River Basin Adjudication (CSRBA) District Court.

DE MINIMIS (SMALL) DOMESTIC AND STOCKWATER CLAIMS

Water users of a small domestic and/or stockwater (D&S) right, as defined by Idaho Code §§ 42-111 & 42-1401A(11), may elect to file a Notice of Claim now or defer (postpone) the filing until a later time in this proceeding. The fee for filing a Notice of Claim with IDWR for a D&S water right at this time is \$25. IDWR recommends filing a claim for a small D&S water right now and not deferring.

The owner of a D&S water right who elects to defer the filing of a Notice of Claim until a later time will be required to have the water right adjudicated prior to the water right being distributed by a watermaster and/or before an application for change of the water right may be filed with IDWR. Water right holders who file a motion with the district court at a later date to have the water right adjudicated, will be required to pay their own cost of serving notice of the motion, advertising, and all costs incurred by IDWR for investigation and preparation of a report to be filed with the court, all of which will exceed the \$25 filing fee.

A claimant of a D&S water right will be bound by the terms of any decrees entered in this adjudication (including the limitation on D&S water rights that may be adjudicated at a later date) regardless of whether or not the claimant files a notice of claim for the D&S water right at this time. Claimants should be certain their water use qualifies for the deferral procedure for D&S claims before deciding not to file a notice of claim at this time.

EXCEPTIONS TO GENERAL REQUIREMENT TO FILE NOTICE OF CLAIM

A Notice of Claim is not required to be filed for water right permits for which proof of beneficial use was filed after November 12, 2008. The director of IDWR may, at a later date, require holders of such permits to file a Notice of Claim. If the director does issue such an order, the permit holder will be notified by mail. A Notice of Claim is not required for a water right that is still in the application for permit stage.

A water user need not file a Notice of Claim where the water user is not the owner of the water right. A Notice of Claim is not required for any person who receives water solely by virtue of ownership of shares of stock in, or by being located within the boundary of, a water delivery organization, if the water delivery organization holds legal title to the water right and if the water delivery organization files a Notice of Claim. Examples of water delivery organizations include, but are not limited to, cities, water utility districts or companies, and irrigation districts.

FEES AND DEADLINES FOR FILING A NOTICE OF CLAIM

Idaho Code § 42-1414 requires each person who files a Notice of Claim to pay a filing fee. Failure to pay the fee will result in the rejection of the Notice of Claim.

The persons receiving this Notice have property in Zip Code areas 83801, 83803 and 83869 in Kootenai County within IDWR's Administrative Basin 95. The deadline for filing a Notice of Claim for water rights in your area is July 17, 2009. A Notice of Claim filed after this date may be accepted prior to the filing of the director's report with the court, but failure to file a Notice of Claim by the established deadline may result in the assessment of a late fee of \$50.00 or 15% of the original filing fee, whichever is greater. Idaho Code § 42-1409A imposes substantial restrictions on the filing of amended or late Notices of Claim.

NOTICE OF CLAIM FORMS AND INSTRUCTIONS

A Notice of Claim must be filed on forms provided by IDWR or online at www.idwr.idaho.gov. When filing at an IDWR regional office please bring a description of the property with Township, Range, Section and Quarter-Quarters, or the county parcel number. Subdivision lot and block numbers are not sufficient. Claimants should always call the nearest regional office to make an appointment if help is needed in filling out a Notice of Claim. The Notice of Claim forms and instructions for completing and filing the forms are available online at www.idwr.idaho.gov or at the following locations:

1. IDWR, Northern Region, 7600 Mineral Dr, Suite 100, Coeur d'Alene, ID 83815;
Phone: (208) 762-2800;
2. IDWR, Western Region, 2735 Airport Way, Boise, ID, 83705-5082;
Phone: (208) 334-2190;
3. IDWR, Southern Region 1341 Fillmore St, Suite 200, Twin Falls, ID 83301-3380;
Phone: (208) 736-3033;
4. IDWR, Eastern Region, 900 North Skyline Dr, Suite A, Idaho Falls, ID 83402-1718;
Phone: (208) 525-7161;
5. IDWR, State Office. 322 E Front St, Boise, ID 83720-0098;
Phone: (208) 287-4800.

NOTICE TO IDWR OF CHANGE IN OWNERSHIP OR ADDRESS

Idaho Code § 42-1409 requires all purchasers of a water right to inquire of IDWR whether a Notice of Claim has been filed. If a Notice of Claim has not been filed, the purchaser must file any required Notice of Claim, as described above. If a Notice of Claim has been filed, the purchaser must file with IDWR a written notice of the change in ownership along with sufficient evidence of ownership. "Purchaser" includes any person acquiring a water right from another water user, whether it is acquired by purchase, gift, inheritance, or any other means. Idaho Code § 42-1409 also requires all persons who have filed a Notice of Claim to file a written notice of any change in address with IDWR.

FURTHER INFORMATION

The files of the Coeur d'Alene-Spokane River Basin Adjudication (CSRBA) District Court will contain affidavits and other documents listing the persons served with copies of this notice.

If you want information regarding Notice of Claims filed with IDWR in this adjudication, you may inquire at any IDWR office or online at www.idwr.idaho.gov. If you want information on other documents filed with the court in this adjudication, you may obtain a copy of the docket sheet from the CSRBA District Court at 253 3rd Avenue North, P.O. Box 2707, Twin Falls, Idaho 83303-2707. The docket sheet will be prepared each month, and will contain a summary of all documents filed with the court in the previous month, and the dates and locations of hearings set for the following three months. You can get a copy of a docket sheet for the cost of mailing and/or copying, or you can get a subscription to receive the docket sheet each month. The docket sheet will also be filed with the district court clerk for every county within the boundaries of the Coeur d'Alene-Spokane River Basin water system in Idaho.

David R Tuthill, Jr., Director, Idaho Department of Water Resources

PLEASE REMEMBER FAILURE TO FILE A REQUIRED NOTICE OF CLAIM TO YOUR EXISTING WATER RIGHT WILL RESULT IN A DETERMINATION BY THE COURT THAT THE WATER RIGHT NO LONGER EXISTS. IF YOU HAVE ANY QUESTIONS PLEASE CALL TOLL-FREE 1-800-451-4129, OR CALL ANY REGIONAL OFFICE OF IDWR LISTED IN THIS NOTICE, OR CONSULT YOUR ATTORNEY.

Northern Idaho Adjudication Coeur d'Alene - Spokane River Basin Water System

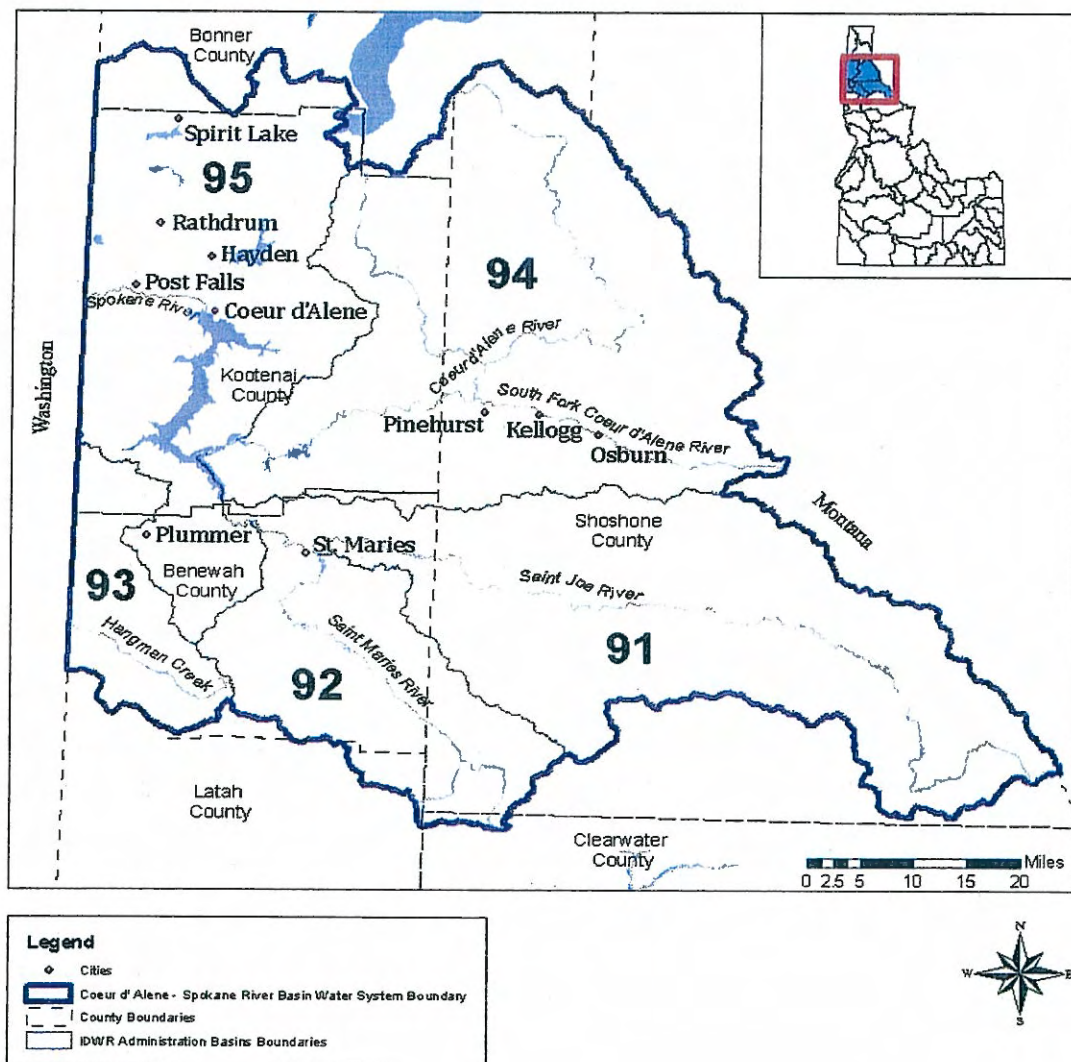


Exhibit 1