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JUN 25 2007

WATER RESOURCES
WESTERN REGION

Boise - Highland Development Company, LLC
12 W. 100 North - Suite 201-A . American Fork, Utah 84003
801-763-9815

June 21, 2007

Mr. Steve Lester,
Water Rights Supervisor
Department of Water Resources
2735 Airport Way
Boise, Id. 83705-5082

Re: Application for Permit No. 61-12090

Dear Mr. Lester:

We are in receipt of your letter dated May 17, 2007 regarding the above referenced application.

First I should like to clarify that we are no longer working with Roxanne Brown or SPF Water Engineering. Presently all communications, questions and the like should be addressed to Steve Holt with Toothman-Orton Engineering Company (9777 Chinden Blvd. Boise, Id. 83714-2008 - Phone: 323-2288).

Also as a matter of clarification, the original application prepared by SPF called for irrigating 50 acres of common area. That is being amended from 50 acres down to 5 acres, which is more in keeping with the natural environment. This will reduce the overall use from 5.00 cfs to something just under 4 cfs (exact amount will be spelled out in application amendment being prepared by Toothman-Orton Engineering).

In response to the questions / issues that you put forth in your letter the following is a response on each item.

1) Business Entity: Boise-Highland Development Company is a limited liability company registered in the state of Utah. I was unaware that to make a water application we needed to be registered in the state of Idaho. Be that as it is, I have made an application with the Idaho Secretary of State to register the company within the state of Idaho. (Copy of Application enclosed for clarification)

2) Possessory Interest in the Site: We have "equitable title" to the site by virtue of a real estate purchase contract executed by buyers and sellers. If you need copies of these contract documents, please let me know and I will forward them onto you.

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3) Transfer Application: The subject property is proposed to be developed as a residential subdivision containing (approx.) 180 lots. Water is critical to being able to develop the property. Therefore we are simultaneously traveling down numerous parallel paths to obtain the necessary water. Those paths consist of the following: a) Application for new water rights (Application # 61-12090); b) Application for transfer of existing water rights (Application # 61-7208). Because we understand and prefer that the application for a new water right (Application #61-12090) will be considered by IDWR prior to the transfer (Application #61-7208), we are focusing on the application for a new water right first. Should this application be approved, then we will withdraw the second application for a transfer (Application #61-7208).

4) Water Appropriation Rule 40.05: The issues are being addressed under separate cover by Steve Holt of Toothman-Orton Engineering, with the exception to item “f.i” which I will address here.

Item (f.i) requests financial information relative to evidencing “reasonable probability that financing will be available to appropriate the water and apply it to the beneficial use proposed.”

In response to this issue, we are in a classic “chicken vs. egg” syndrome. This project is projected to cost approximately \$14,000,000, including the community water system. Boise-Highland Development Company, LLC does not have the cash resources in its possession to complete the entire \$14M project. As with all development projects, they are built out using both equity capital as well as borrowed capital / institutional financing. Boise-Highland will use approximately \$4M of its own (or its investor’s capital) and will borrow from institutional resources (banks) the balance of approximately \$10M.

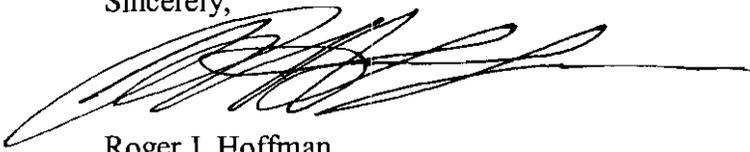
At this point, it is not possible to get a firm commitment from a lender without making formal application. To make a formal application requires all permits and final plat approval in hand. We cannot get final plat approval until we have a water system approved by the Idaho Department of Environmental Quality. In order to obtain such approval, we must fully design the system, at a cost of approximately \$350,000 (including a test well). We cannot drill a test well nor would it be prudent to spend \$350,000 designing a system without the appropriate water rights, for which our pending application is requesting.

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Hopefully you can see the situation in which we find ourselves on this issue. I can tell you however that at this point in time we have approximately \$400,000 already expended on design, engineering and the entitlement process. In no manner are we going to walk away from that that kind of expenditure, plus an additional \$1,200,000 for the land acquisition. Obtaining institutional (bank) financing for the balance of the project once all the approvals are in place will not be a problem in the least.

Should you have any question on this information or require additional material, please contact me at 801-836-4404 or contact Steve Holt at Toothman-Orton. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Roger J. Hoffman", with a long horizontal flourish extending to the right.

Roger J. Hoffman



APPLICATION FOR REGISTRATION OF FOREIGN LIMITED LIABILITY COMPANY

(Instructions on back of application)

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1. The name of the limited liability company is:

Boise - Highland Development Company, LLC

2. If the name of the limited liability company is not permissible or is not available in Idaho, the name the foreign limited liability company will use in Idaho is:

(Name search shows availability)

3. The jurisdiction under whose laws the limited liability company is organized is: Utah

and the date of its formation was: 12-8-05

4. The name and address of the registered agent in Idaho is:

Joel Vicars - 7365 N. Peppermill Way, Boise, Id. 83703

5. The address of the limited liability company's office in the jurisdiction under whose laws it is organized is:

12 W. 100 North - Suite 201-A, American Fork, Ut. 84003

6. The address of the limited liability company's principal office, if other than the address in #5 above, is:

(Same)

7. The address to which correspondence should be addressed is:

12 W. 100 North - Suite 201-A, American Fork, Ut. 84003

8. Signature of a manager, if any, or a member if there are no managers.

Signature

Typed Name

Roger J. Hoffman

Manager Member

Secretary of State use only

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Revised 08/2002
Web Form



Francine Giani
Executive Director
Department of Commerce

Jon M. Huntsman, Jr.
Governor
State of Utah

Kathy Berg
Director
Division of Corporations
& Commercial Code

ROGER HOFFMAN
BOISE - HIGHLAND DEVELOPMENT COMPANY, LLC
12 W 100 N STE 201A
AMERICAN FORK UT 84003



State of Utah
Department of Commerce
Division of Corporations & Commercial Code

CERTIFICATE OF REGISTRATION

LLC - DOMESTIC

This certifies that **BOISE - HIGHLAND DEVELOPMENT COMPANY, LLC** has been filed and approved on **12/8/2005** and has been issued the registration number **6068177-0160** in the office of the Division and hereby issues this Certification thereof.

KATHY BERG
Division Director