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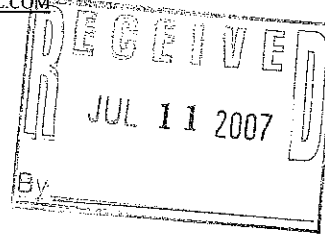
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July 10, 2007

Randy Budge
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Dear Randy:

Harvey Walker just came by and gave us copies of some documents which we very much appreciate. But there is still a problem with the "Water Transport Agreement". We assume it will need to be modified to contain the correct numbers. Our understanding is as follows.

Harvey gave us a copy of a "Memorandum of Agreement", dated the _____ day of June, 2006, between the "County of Teton Fair Board" as Seller, and Blackfoot Farms, as buyer. It recites that Fair Board has a claim to Water Right No. 22-7215A for 0.6 cfs and 90.0 acre feet. It then purports to convey to Blackfoot Farms 83 acre feet of this right and retain 7 acre feet for the Fair Board's use. This all appears to be correct as far as the SRBA claim of the Fair Board was concerned at that time.

The problem is, that when IDWR made its final recommendation to the SRBA Court, it recommended only 0.38 cfs and 66.15 afa for 18.9 acres for 22-7215A. Now the Fair Board has initiated a transfer proceeding, No. 73308, to split the right into two pieces with new numbers:

22-13664 - 0.33 cfs/59.15 afa for 16.6 acres

22-13665 - 0.5 cfs/7.00 afa for 2.3 acres

We presume the Fair Board intends to keep 22-13665 and to convey to Blackfoot Farms 22-13664, but it appears to us that a new document of conveyance will be needed.

Randy Budge
Racine Olsen, Nye Budge & Bailey, Chrt'd.
July 10, 2007
Page 2 of 3

Our review of the final recommendations for 22-7215A and 22-7215C indicates they were recommended as follows:

22-7215A - 0.68 cfs/102 afa for 34 acres
22-7215C - 0.40 cfs/78 afa for 20 acres

And Harvey was kind enough to leave us copies of a "Memorandum of Agreement" signed by Michael Stears on behalf of Blackfoot Farms and by Thomas Underhill under which it appears Blackfoot Farms is to receive all of 22-7215B from Underhill. There is a second copy of the same "Memorandum of Agreement" signed by Michael Stears of Blackfoot Farms and by Kent Hillman, a partner in AIR Associates, under which it appears Blackfoot Farms is to receive all of 22-7215C.

So, if we add 22-13664 to 22-7215B and 22-7215C, we show the following:

22-13664 - 0.33 cfs/59.15 afa for 16.6 acres
22-7215B - 0.68 cfs/102 afa for 34.0 acres
22-7215C - 0.40 cfs/78 afa for 20.0 acres
Totals: ~~-1.46 cfs/246.15 afa for 76.9 acres~~ - 70.6 acres *214*
 1.41 cfs

Harvey indicated he was going to file Notices of Change of Ownership, we assume for each of the three rights, although we have seen no deeds and question whether the documents we have seen really constitute instruments of conveyance. As you know, each of the water rights is a real property right and normally IDWR likes to see formal recorded instruments of conveyance before approving a change of ownership. Harvey also indicated he was going to file applications for temporary transfers of these rights. We do not know why temporary transfers would be preferable to a permanent transfer application, which the "Water Transport Agreement" seems to contemplate. Perhaps IDWR approval can be obtained faster for a temporary transfer, but a permanent transfer will be needed ultimately in any event, will it not?

Perhaps the "Water Transport Agreement" can be modified to accomplish the objectives of the parties. Please let us know how you wish to do it.

Randy Budge
Racine Olsen, Nye Budge & Bailey, Chrtd.
July 10, 2007
Page 3 of 3

Yours very truly,



Kent W. Foster

c: Board of Directors, Grand Teton Canal Co.

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