

IDAHO DEPARTMENT OF WATER RESOURCES

Adjudication Recommendation Report 37-577BT V1

WATER RIGHT NUMBER: 37-577BT V1

<u>Owner Type</u>	<u>Name and Address</u>
Security Interest	IDAHO INDEPENDENT BANK PO BOX 2047 KETCHUM, ID 83340 (208) 726-2147
Security Interest	MOUNTAIN WEST BANK PO BOX 1059 COEUR D ALENE, ID 83816
Original Owner	W T RILEY , ID
Attorney	JAMES P SPECK SPECK & AANESTAD PO BOX 987 KETCHUM, ID 83340 (208)726-4421
Previous Owner	SAWTOOTH TITLE CO INC TRUSTEE C/O G CHAPMAN PETERSEN & ASSOCIATES RT 5 SPRINGWOOD LN BARRINGTON HILLS, IL 60010 (312)426-4646
Current Owner	SOUTH COUNTY ESTATES LLC PO BOX 1539 KETCHUM, ID 83340 (208)726-7111
Original Owner	D H CRONE GANNETT, ID 83313

Priority Date: 03/24/1883

Basis: Decreed

Status: Active

<u>Source</u>	<u>Tributary</u>
BIG WOOD RIVER	MALAD RIVER

<u>Beneficial Use</u>	<u>From</u>	<u>To</u>	<u>Diversion Rate</u>	<u>Annual Volume</u>
IRRIGATION	04/15	to 10/31	2.200 CFS	
		Total Diversion:	2.200 CFS	

Location of Point(s) of Diversion

BIG WOOD RIVER SW1/4NW1/4 Sec. 36, Twp 02N, Rge 18E, B.M.
BLAINE County

Place of Use

IRRIGATION

Twp	Rge	Sec	NE				NW				SW				SE				Totals
			NE	NW	SW	SE	NE	NW	SW	SE	NE	NW	SW	SE	NE	NW	SW	SE	

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		NE	NW	SW	SE	NE	NW	SW	SE	NE	NW	SW	SE	NE	NW	SW	SE	Totals
01N 19E 6										24.0	33.0	12.0	39.0			8.5		116.5
											L 6	L 7						
01N 19E 7			31.0	38.0	15.0	28.0			5.5					35.0	20.0			172.5

Total Acres: 289

Conditions of Approval:

1. G05 Water diverted from Headgate #45 delivered through District Canal.
2. SPLIT RIGHT: SEE RIGHT NOS. 37-22342 and 37-22343 and 37-22344.
3. E56 The rights listed below are limited to the irrigation of a combined total of 289 acres in a single irrigation season. Combined Right Nos.: 37-482H, 37-481C, 37-483C, 37-577BT, and 37-2630.
4. C18 This partial decree is subject to such general provisions necessary for the definition of the rights or for the efficient administration of the water rights as may be ultimately determined by the Court at a point in time no later than the entry of a final unified decree. Section 42-1412(6), Idaho Code.

Remarks:Comments:

SubCase:

SubCase Number: 37-577BT
 Class: 1
 SF5 Filed Date:
 Special Master Recom Signed Date:
 Attorney Assigned:
 Adjudication Agent: nerickson
 Basis of Claim: Decreed
 Date Filed: 12/28/2007 Objection Status: Active
 Date Filed: 12/21/2007 Objection Status: Active
 Date Filed: 1/4/2008 Objection Status: Active
 Date Filed: 11/14/2007 Objection Status: Active
 Date Filed: 11/14/2007 Objection Status: Active
 Date Filed: 11/14/2007 Objection Status: Active
 Date Filed: 11/14/2007 Objection Status: Active
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Water Supply Bank:

STATE OF IDAHO
DEPARTMENT OF WATER RESOURCES

RECEIVED
JUL 24 2009
DEPT. OF WATER RESOURCES
SOUTHERN REGION

Notice of Security Interest in a Water Right

And Request for Notification of a Change in Ownership or Any Proposed
Or Final Action to Amend, Transfer, or Otherwise Modify a Water Right

Please print or type. Attach pages with additional information. Instructions are on the back of this page.
Incomplete forms will be returned.

1. Water Right No(s): 37-481C, 37-577BT, 37-482H, 37-483C, 37-268D
Adjudication Claim No(s): _____
2. The following **REQUIRED** information must be submitted with this form:
 - A) Evidence of the security interest. This may be a copy of a **DEED of TRUST, MORTGAGE, CONTRACT OF SALE** or other legal document indicating your interest in the property and water rights or claims in question, **WITH ATTACHED LEGAL DESCRIPTION.**
 - B) A **FEE** of \$25.00 per water right or adjudication claim.
3. Name and Mailing Address of Person or Company holding Security Interest
Idaho Independent Bank
491 N. Main St.
Hetchum, ID 83340
4. Name of Water Right Owner/Claimant(s) John Scherer and Charles Holt
5. Expiration Date of Notification Period October 16, 2010
6. Is this a Renewal of Request for Notification? ☐ YES ☒ NO
7. Signature(s) of Security Interest holder(s) Greg Charlton
(and title if applicable) SVP

For Office Use Only

Received by <u>C. J. [Signature]</u>	Date <u>7/24/09</u>	Fee <u>125.00</u>
Received by <u>C. J. [Signature]</u>	Date <u>7/24/09</u>	Receipt No. <u>5030012</u>
Processed by _____ AJ	Date _____	WR _____ Date _____

SUPPORT DATA
IN FILE # 37-481C

(3)
RECORDATION REQUESTED BY:
IDAHO INDEPENDENT BANK
KETCHUM OFFICE
491 N MAIN ST
KETCHUM, ID 83340

WHEN RECORDED MAIL TO:
IDAHO INDEPENDENT BANK
KETCHUM OFFICE
491 N MAIN ST
KETCHUM, ID 83340

SEND TAX NOTICES TO:
JOHN SCHERER
CHARLES HOLT
P.O. BOX 1539
KETCHUM, ID 83340

Instrument # 668682
HAILEY, BLAINE, IDAHO
6-25-2009 04:06:00 No. of Pages: 8
Recorded for: IDAHO INDEPENDENT BANK
JOLYNN DRAGE Fee: 24.00
Ex-Officio Recorder Deputy
Index for: DEED OF TRUST-SECOND DEED TRUSTANTS

mpp

SPACE ABOVE THIS LINE IS FOR RECORDER'S USE ONLY



IDAHO INDEPENDENT BANK®

MORTGAGE

THIS MORTGAGE dated June 10, 2009, is made and executed between JOHN SCHERER, whose address is P. O. BOX 1539, KETCHUM, ID 83340 and CHARLES HOLT, whose address is 100 SILVERWEED, SUN VALLEY, ID 83353, collectively (referred to below as "Grantor") and IDAHO INDEPENDENT BANK, whose address is 491 N MAIN ST, KETCHUM, ID 83340 (referred to below as "Lender").

GRANT OF MORTGAGE. For valuable consideration, Grantor mortgages, grants, bargains, sells and conveys to Lender all of Grantor's right, title, and interest in and to the following described real property, together with all existing or subsequently erected or affixed buildings, improvements and fixtures; all easements, rights of way, and appurtenances; all water, water rights, watercourses and ditch rights (including stock in utilities with ditch or irrigation rights); and all other rights, royalties, and profits relating to the real property, including without limitation all minerals, oil, gas, geothermal and similar matters, (the "Real Property") located in BLAINE County, State of Idaho:

An undivided 7.5/288ths or 2.595% of the water rights appurtenant to the following described lands situate in Blaine County, Idaho, to wit:

All in Township 1 North, Range 19 East, B.M.:

In Section 6: NE1/4SW1/4, Government Lot 6 in the NW1/4SW1/4, Government Lot 7 in the SW1/4SW1/4, SE1/4SW1/4 and SW1/4SE1/4

In Section 7: NW1/4NE1/4, SW1/4NE1/4, SE1/4NE1/4, NE1/4NW1/4, SE1/4NW1/4, NE1/4SE1/4 and NW1/4SE1/4

Said water rights are described in five (5) Basin 37 Part 3 Director's Reports each entitled "Idaho Department of Water Resources Recommended Water Rights Acquired Under State Law" relating to the water rights summarized, in part, as follows:

WATER RIGHT NUMBER	PLACES OF USE	SOURCE OF WATER	POINT OF DIVERSION	ACRES IRRIGATED	QUANTITY OF WATER
37-481C	described above	Big Wood River	SW1/4NW1/4, Sec. 36 T2N, R18E	289	3.014 CFS (cubic feet per second)
37-577BT	described above	Big Wood River	(same)	(same)	2.200 CFS
37-482H	described above	Big Wood River	(same)	(same)	3.012 CFS
37-483C	described above	Big Wood River	(same)	(same)	15.086 CFS
37-2630	described above	Ground water	NW1/4NW1/4SW1/4 Sec. 6, T1N, R18E	(same)	3.750 CFS 1,011.50 AFY (acre/feet per year)

Water Right No. 37-2630 (ground water) is based on a License. The other four (4) water rights are based on court Decrees.

CROSS-COLLATERALIZATION. In addition to the Note, this Mortgage secures all obligations, debts and liabilities, plus interest thereon, of either Grantor or Borrower to Lender, or any one or more of them, as well as all claims by Lender against Borrower and Grantor or any one or more of them, whether now existing or hereafter arising, whether related or unrelated to the purpose of the Note, whether voluntary or otherwise, whether due or not due, direct or indirect, determined or undetermined, absolute or contingent, liquidated or unliquidated, whether Borrower or Grantor may be liable individually or jointly with others, whether obligated as guarantor, surety, accommodation party or otherwise, and whether recovery upon such amounts may be or hereafter may become barred by any statute of limitations, and whether the obligation to repay such amounts may be or hereafter may become otherwise unenforceable.

Grantor presently assigns to Lender all of Grantor's right, title, and interest in and to all present and future leases of the Property and all Rents from the Property. In addition, Grantor grants to Lender a Uniform Commercial Code security interest in the Personal Property and Rents.

THIS MORTGAGE, INCLUDING THE ASSIGNMENT OF RENTS AND THE SECURITY INTEREST IN THE RENTS AND PERSONAL PROPERTY, IS GIVEN TO SECURE (A) PAYMENT OF THE INDEBTEDNESS AND (B) PERFORMANCE OF ANY AND ALL OBLIGATIONS UNDER THE NOTE, THE RELATED DOCUMENTS, AND THIS MORTGAGE. THIS MORTGAGE IS GIVEN AND ACCEPTED ON THE FOLLOWING TERMS:

GRANTOR'S WAIVERS. Grantor waives all rights or defenses arising by reason of any "one action" or "anti-deficiency" law, or any other law which may prevent Lender from bringing any action against Grantor, including a claim for deficiency to the extent Lender is otherwise entitled to a claim for deficiency, before or after Lender's commencement or completion of any foreclosure action, either judicially or by exercise of a power of sale.

GRANTOR'S REPRESENTATIONS AND WARRANTIES. Grantor warrants that: (a) this Mortgage is executed at Borrower's request and not at the request of Lender; (b) Grantor has the full power, right, and authority to enter into this Mortgage and to hypothecate the Property; (c) the provisions of this Mortgage do not conflict with, or result in a default under any agreement or other instrument binding upon Grantor and do not result in a violation of any law, regulation, court decree or order applicable to Grantor; (d) Grantor has established adequate means of obtaining from Borrower on a continuing basis information about Borrower's financial condition; and (e) Lender has made no representation to Grantor about Borrower (including without limitation the creditworthiness of Borrower).

PAYMENT AND PERFORMANCE. Except as otherwise provided in this Mortgage, Borrower and Grantor shall pay to Lender all indebtedness secured by this Mortgage as it becomes due, and Borrower and Grantor shall strictly perform all Borrower's and Grantor's obligations under this Mortgage.

POSSESSION AND MAINTENANCE OF THE PROPERTY. Borrower and Grantor agree that Borrower's and Grantor's possession and use of the Property shall be governed by the following provisions:

Possession and Use. Until the occurrence of an Event of Default, Grantor may (1) remain in possession and control of the Property; (2) use, operate or manage the Property; and (3) collect the Rents from the Property. The following provisions relate to the use of the Property or to other limitations on the Property.

Duty to Maintain. Grantor shall maintain the Property in tenable condition and promptly perform all repairs, replacements, and maintenance necessary to preserve its value.

Compliance With Environmental Laws. Grantor represents and warrants to Lender that: (1) During the period of Grantor's ownership of the Property, there has been no use, generation, manufacture, storage, treatment, disposal, release or threatened release of any Hazardous Substance by any person on, under, about or from the Property; (2) Grantor has no knowledge of, or reason to believe that there has been, except as previously disclosed to and acknowledged by Lender in writing, (a) any breach or violation of any Environmental Laws, (b) any use, generation, manufacture, storage, treatment, disposal, release or threatened release of any Hazardous Substance on, under, about or from the Property by any prior owners or occupants of the Property, or (c) any actual or threatened litigation or claims of any kind by any person relating to such matters; and (3) Except as previously disclosed to and acknowledged by Lender in writing, (a) neither Grantor nor any tenant, contractor, agent or other authorized user of the Property shall use, generate, manufacture, store, treat, dispose of or release any Hazardous Substance on, under, about or from the Property; and (b) any such activity shall be conducted in compliance with all applicable federal, state, and local laws, regulations and ordinances, including without limitation all Environmental Laws. Grantor authorizes Lender and its agents to enter upon the Property to make such inspections and tests, at Grantor's expense, as Lender may deem appropriate to determine compliance of the Property with this section of the Mortgage. Any inspections or tests made by Lender shall be for Lender's purposes only and shall not be construed to create any responsibility or liability on the part of Lender to Grantor or to any other person. The representations and warranties contained herein are based on Grantor's due diligence in investigating the Property for Hazardous Substances. Grantor hereby (1) releases and waives any future claims against Lender for indemnity or contribution in the event Grantor becomes liable for cleanup or other costs under any such laws; and (2) agrees to indemnify, defend, and hold harmless Lender against any and all claims, losses, liabilities, damages, penalties, and expenses which Lender may directly or indirectly sustain or suffer resulting from a breach of this section of the Mortgage or as a consequence of any use, generation, manufacture, storage, disposal, release or threatened release occurring prior to Grantor's ownership or interest in the Property, whether or not the same was or should have been known to Grantor. The provisions of this section of the Mortgage, including the obligation to indemnify and defend, shall survive the payment of the indebtedness and the satisfaction and reconveyance of the lien of this Mortgage and shall not be affected by Lender's acquisition of any interest in the Property, whether by foreclosure or otherwise.

Nuisance, Waste. Grantor shall not cause, conduct or permit any nuisance nor commit, permit, or suffer any stripping of or waste on or to the Property or any portion of the Property. Without limiting the generality of the foregoing, Grantor will not remove, or grant to any other party the right to remove, any timber, minerals (including oil and gas), coal, clay, scoria, soil, gravel or rock products without Lender's prior written consent.

Removal of Improvements. Grantor shall not demolish or remove any improvements from the Real Property without Lender's prior written consent. As a condition to the removal of any improvements, Lender may require Grantor to make arrangements satisfactory to Lender to replace such improvements with improvements of at least equal value.

Lender's Right to Enter. Lender and Lender's agents and representatives may enter upon the Real Property at all reasonable times to attend to Lender's interests and to inspect the Real Property for purposes of Grantor's compliance with the terms and conditions of this Mortgage.

Compliance with Governmental Requirements. Grantor shall promptly comply with all laws, ordinances, and regulations, now or hereafter in effect, of all governmental authorities applicable to the use or occupancy of the Property, including without limitation, the Americans With Disabilities Act. Grantor may contest in good faith any such law, ordinance, or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Grantor has notified Lender in writing prior to doing so and so long as, in Lender's sole opinion, Lender's interests in the Property are not jeopardized. Lender may require Grantor to post adequate security or a surety bond, reasonably satisfactory to Lender, to protect Lender's interest.

Duty to Protect. Grantor agrees neither to abandon or leave unattended the Property. Grantor shall do all other acts, in addition to those acts set forth above in this section, which from the character and use of the Property are reasonably necessary to protect and preserve the Property.

DUE ON SALE - CONSENT BY LENDER. Lender may, at Lender's option, declare immediately due and payable all sums secured by this Mortgage upon the sale or transfer, without Lender's prior written consent, of all or any part of the Real Property, or any interest in the Real Property. A "sale or transfer" means the conveyance of Real Property or any right, title or interest in the Real Property; whether legal, beneficial or equitable; whether voluntary or involuntary; whether by outright sale, deed, installment sale contract, land contract, contract for deed, leasehold interest with a term greater than three (3) years, lease-option contract, or by sale, assignment, or transfer of any beneficial interest in or to any land trust holding title to the Real Property, or by any other method of conveyance of an interest in the Real Property. However, this option shall not be exercised by Lender if such exercise is prohibited by federal law or by Idaho law.

TAXES AND LIENS. The following provisions relating to the taxes and liens on the Property are part of this Mortgage:

Payment. Grantor shall pay when due (and in all events prior to delinquency) all taxes, payroll taxes, special taxes, assessments, water charges and sewer service charges levied against or on account of the Property, and shall pay when due all claims for work done on or for services rendered or material furnished to the Property. Grantor shall maintain the Property free of any liens having priority over or equal to the interest of Lender under this Mortgage, except for those liens specifically agreed to in writing by Lender, and except for the lien of taxes and assessments not due as further specified in the Right to Contest paragraph.

Right to Contest. Grantor may withhold payment of any tax, assessment, or claim in connection with a good faith dispute over the obligation to pay, so long as Lender's interest in the Property is not jeopardized. If a lien arises or is filed as a result of nonpayment, Grantor shall within fifteen (15) days after the lien arises or, if a lien is filed, within fifteen (15) days after Grantor has notice of the filing, secure the discharge of the lien, or if requested by Lender, deposit with Lender cash or a sufficient corporate surety bond or other security satisfactory to Lender in an amount sufficient to discharge the lien plus any costs and reasonable attorneys' fees, or other charges that could accrue as a result of a foreclosure or sale under the lien. In any contest, Grantor shall defend itself and Lender and shall satisfy any adverse judgment before enforcement against the Property. Grantor shall name Lender as an additional obligee under any surety bond furnished in the contest proceedings.

Evidence of Payment. Grantor shall upon demand furnish to Lender satisfactory evidence of payment of the taxes or assessments and shall authorize the appropriate governmental official to deliver to Lender at any time a written statement of the taxes and assessments against the Property.

Notice of Construction. Grantor shall notify Lender at least fifteen (15) days before any work is commenced, any services are furnished, or any materials are supplied to the Property, if any mechanic's lien, materialmen's lien, or other lien could be asserted on account of the work, services, or materials. Grantor will upon request of Lender furnish to Lender advance assurances satisfactory to Lender that Grantor can and will pay the cost of such improvements.

PROPERTY DAMAGE INSURANCE. The following provisions relating to insuring the Property are a part of this Mortgage:

Maintenance of Insurance. Grantor shall procure and maintain policies of fire insurance with standard extended coverage endorsements on a replacement basis for the full insurable value covering all improvements on the Real Property in an amount sufficient to avoid application of any coinsurance clause, and with a standard mortgagee clause in favor of Lender. Grantor shall also procure and maintain comprehensive general liability insurance in such coverage amounts as Lender may request with Lender being named as additional insureds in such liability insurance policies. Additionally, Grantor shall maintain such other insurance, including but not limited to hazard, business interruption and boiler insurance as Lender may require. Policies shall be written by such insurance companies and in such form as may be reasonably acceptable to Lender. Grantor shall deliver to Lender certificates of coverage from each insurer containing a stipulation that coverage will not be cancelled or diminished without a minimum of ten (10) days' prior written notice to Lender and not containing any disclaimer of the insurer's liability for failure to give such notice. Each insurance policy also shall include an endorsement providing that coverage in favor of Lender will not be impaired in any way by any act, omission or default of Grantor or any other person. Should the Real Property be located in an area designated by the Director of the Federal Emergency Management Agency as a special flood hazard area, Grantor agrees to obtain and maintain Federal Flood Insurance, if available, within 45 days after notice is given by Lender that the Property is located in a special flood hazard area, for the full unpaid principal balance of the loan and any prior liens on the property securing the loan, up to the maximum policy limits set under the National Flood Insurance Program, or as otherwise required by Lender, and to maintain such insurance for the term of the loan.

Application of Proceeds. Grantor shall promptly notify Lender of any loss or damage to the Property. Lender may make proof of loss if Grantor fails to do so within fifteen (15) days of the casualty. Whether or not Lender's security is impaired, Lender may, at Lender's election, receive and retain the proceeds of any insurance and apply the proceeds to the reduction of the indebtedness, payment of any lien affecting the Property, or the restoration and repair of the Property. If Lender elects to apply the proceeds to restoration and repair, Grantor shall repair or replace the damaged or destroyed improvements in a manner satisfactory to Lender. Lender shall, upon satisfactory proof of such expenditure, pay or reimburse Grantor from the proceeds for the reasonable cost of repair or restoration if Grantor is not in default under this Mortgage. Any proceeds which have not been disbursed within 180 days after their receipt and which Lender has not committed to the repair or restoration of the Property shall be used first to pay any amount owing to Lender under this Mortgage, then to pay accrued interest, and the remainder, if any, shall be applied to the principal balance of the indebtedness. If Lender holds any proceeds after payment in full of the indebtedness, such proceeds shall be paid to Grantor as Grantor's interests may appear.

LENDER'S EXPENDITURES. If any action or proceeding is commenced that would materially affect Lender's interest in the Property or if Grantor fails to comply with any provision of this Mortgage or any Related Documents, including but not limited to Grantor's failure to discharge or pay when due any amounts Grantor is required to discharge or pay under this Mortgage or any Related Documents, Lender on Grantor's behalf may (but shall not be obligated to) take any action that Lender deems appropriate, including but not limited to discharging or paying all taxes, liens, security interests, encumbrances and other claims, at any time levied or placed on the Property and paying all costs for insuring, maintaining and preserving the Property. All such expenditures incurred or paid by Lender for such purposes will then bear interest at the rate charged under the Note from the date incurred or paid by Lender to the date of repayment by Grantor. All such expenses will become a part of the indebtedness and, at Lender's option, will (A) be payable on demand; (B) be added to the balance of the Note and be apportioned among and be payable with any installment payments to become due during either (1) the term of any applicable insurance policy; or (2) the remaining term of the Note; or (C) be treated as a balloon payment which will be due and payable at the Note's maturity. The Mortgage also will secure payment of these amounts. Such right shall be in addition to all other rights and remedies to which Lender may be entitled upon Default.

WARRANTY; DEFENSE OF TITLE. The following provisions relating to ownership of the Property are a part of this Mortgage:

Title. Grantor warrants that: (a) Grantor holds good and marketable title of record to the Property in fee simple, free and clear of all liens and encumbrances other than those set forth in the Real Property description or in any title insurance policy, title report, or final title opinion issued in favor of, and accepted by, Lender in connection with this Mortgage, and (b) Grantor has the full right, power, and authority to execute and deliver this Mortgage to Lender.

Defense of Title. Subject to the exception in the paragraph above, Grantor warrants and will forever defend the title to the Property against the lawful claims of all persons. In the event any action or proceeding is commenced that questions Grantor's title or the interest of Lender under this Mortgage, Grantor shall defend the action at Grantor's expense. Grantor may be the nominal party in such proceeding, but Lender shall be entitled to participate in the proceeding and to be represented in the proceeding by counsel of Lender's own choice, and Grantor will deliver, or cause to be delivered, to Lender such instruments as Lender may request from time to time to permit such participation.

Compliance With Laws. Grantor warrants that the Property and Grantor's use of the Property complies with all existing applicable laws, ordinances, and regulations of governmental authorities.

Survival of Representations and Warranties. All representations, warranties, and agreements made by Grantor in this Mortgage shall survive the execution and delivery of this Mortgage, shall be continuing in nature, and shall remain in full force and effect until such time as Borrower's indebtedness shall be paid in full.

CONDEMNATION. The following provisions relating to condemnation proceedings are a part of this Mortgage:

Proceedings. If any proceeding in condemnation is filed, Grantor shall promptly notify Lender in writing, and Grantor shall promptly take such steps as may be necessary to defend the action and obtain the award. Grantor may be the nominal party in such proceeding, but Lender shall be entitled to participate in the proceeding and to be represented in the proceeding by counsel of its own choice, and Grantor will deliver or cause to be delivered to Lender such instruments and documentation as may be requested by Lender from time to time to permit such participation.

Application of Net Proceeds. If all or any part of the Property is condemned by eminent domain proceedings or by any proceeding or purchase in lieu of condemnation, Lender may at its election require that all or any portion of the net proceeds of the award be applied to the indebtedness or the repair or restoration of the Property. The net proceeds of the award shall mean the award after payment of all reasonable costs, expenses, and attorneys' fees incurred by Lender in connection with the condemnation.

IMPOSITION OF TAXES, FEES AND CHARGES BY GOVERNMENTAL AUTHORITIES. The following provisions relating to governmental taxes, fees and charges are a part of this Mortgage:

Current Taxes, Fees and Charges. Upon request by Lender, Grantor shall execute such documents in addition to this Mortgage and take whatever other action is requested by Lender to perfect and continue Lender's lien on the Real Property. Grantor shall reimburse Lender for all taxes, as described below, together with all expenses incurred in recording, perfecting or continuing this Mortgage, including without limitation all taxes, fees, documentary stamps, and other charges for recording or registering this Mortgage.

Taxes. The following shall constitute taxes to which this section applies: (1) a specific tax upon this type of Mortgage or upon all or any part of the indebtedness secured by this Mortgage; (2) a specific tax on Borrower which Borrower is authorized or required to deduct from payments on the indebtedness secured by this type of Mortgage; (3) a tax on this type of Mortgage chargeable against the Lender or the holder of the Note; and (4) a specific tax on all or any portion of the indebtedness or on payments of principal and interest made by Borrower.

Subsequent Taxes. If any tax to which this section applies is enacted subsequent to the date of this Mortgage, this event shall have the same effect as an Event of Default, and Lender may exercise any or all of its available remedies for an Event of Default as provided below unless Grantor either (1) pays the tax before it becomes delinquent, or (2) contests the tax as provided above in the Taxes and Liens section and deposits with Lender cash or a sufficient corporate surety bond or other security satisfactory to Lender.

SECURITY AGREEMENT; FINANCING STATEMENTS. The following provisions relating to this Mortgage as a security agreement are a part of this Mortgage:

Security Agreement. This instrument shall constitute a Security Agreement to the extent any of the Property constitutes fixtures, and Lender shall have all of the rights of a secured party under the Uniform Commercial Code as amended from time to time.

Security Interest. Upon request by Lender, Grantor shall take whatever action is requested by Lender to perfect and continue Lender's security interest in the Rents and Personal Property. In addition to recording this Mortgage in the real property records, Lender may, at any time and without further authorization from Grantor, file executed counterparts, copies or reproductions of this Mortgage as a financing statement. Grantor shall reimburse Lender for all expenses incurred in perfecting or continuing this security interest. Upon default, Grantor shall not remove, sever or detach the Personal Property from the Property. Upon default, Grantor shall assemble any Personal Property not affixed to the Property in a manner and at a place reasonably convenient to Grantor and Lender and make it available to Lender within three (3) days after receipt of written demand from Lender to the extent permitted by applicable law.

Addresses. The mailing addresses of Grantor (debtor) and Lender (secured party) from which information concerning the security interest granted by this Mortgage may be obtained (each as required by the Uniform Commercial Code) are as stated on the first page of this Mortgage.

FURTHER ASSURANCES; ATTORNEY-IN-FACT. The following provisions relating to further assurances and attorney-in-fact are a part of this Mortgage:

Further Assurances. At any time, and from time to time, upon request of Lender, Grantor will make, execute and deliver, or will cause to be made, executed or delivered, to Lender or to Lender's designee, and when requested by Lender, cause to be filed, recorded, refiled, or rerecorded, as the case may be, at such times and in such offices and places as Lender may deem appropriate, any and all such mortgages, deeds of trust, security deeds, security agreements, financing statements, continuation statements, instruments of further assurance, certificates, and other documents as may, in the sole opinion of Lender, be necessary or desirable in order to effectuate, complete, perfect, continue, or preserve (1) Borrower's and Grantor's obligations under the Note, this Mortgage, and the Related Documents, and (2) the liens and security interests created by this Mortgage on the Property, whether now owned or hereafter acquired by Grantor. Unless prohibited by law or Lender agrees to the contrary in writing, Grantor shall reimburse Lender for all costs and expenses incurred in connection with the matters referred to in this paragraph.

Attorney-in-Fact. If Grantor fails to do any of the things referred to in the preceding paragraph, Lender may do so for and in the name of Grantor and at Grantor's expense. For such purposes, Grantor hereby irrevocably appoints Lender as Grantor's attorney-in-fact for the purpose of making, executing, delivering, filing, recording, and doing all other things as may be necessary or desirable, in Lender's sole opinion, to accomplish the matters referred to in the preceding paragraph.

FULL PERFORMANCE. If Borrower and Grantor pay all the indebtedness when due, and Grantor otherwise performs all the obligations imposed upon Grantor under this Mortgage, Lender shall execute and deliver to Grantor a suitable satisfaction of this Mortgage and suitable statements of termination of any financing statement on file evidencing Lender's security interest in the Rents and the Personal Property. Grantor will pay, if permitted by applicable law, any reasonable termination fee as determined by Lender from time to time.

EVENTS OF DEFAULT. Each of the following, at Lender's option, shall constitute an Event of Default under this Mortgage:

Payment Default. Borrower fails to make any payment when due under the Indebtedness.

Default on Other Payments. Failure of Grantor within the time required by this Mortgage to make any payment for taxes or insurance, or any other payment necessary to prevent filing of or to effect discharge of any lien.

Other Defaults. Borrower or Grantor fails to comply with or to perform any other term, obligation, covenant or condition contained in this Mortgage or in any of the Related Documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower or Grantor.

Default in Favor of Third Parties. Should Borrower or any Grantor default under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's or any Grantor's property or Borrower's ability to repay the Indebtedness or Borrower's or Grantor's ability to perform their respective obligations under this Mortgage or any of the Related Documents.

False Statements. Any warranty, representation or statement made or furnished to Lender by Borrower or Grantor or on Borrower's or Grantor's behalf under this Mortgage or the Related Documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Defective Collateralization. This Mortgage or any of the Related Documents ceases to be in full force and effect (including failure of any collateral document to create a valid and perfected security interest or lien) at any time and for any reason.

Death or Insolvency. The dissolution of Grantor's (regardless of whether election to continue is made), any member withdraws from the limited liability company, or any other termination of Borrower's or Grantor's existence as a going business or the death of any member, the insolvency of Borrower or Grantor, the appointment of a receiver for any part of Borrower's or Grantor's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower or Grantor.

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or Grantor or by any governmental agency against any property securing the Indebtedness. This includes a garnishment of any of Borrower's or Grantor's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower or Grantor as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower or Grantor gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Breach of Other Agreement. Any breach by Borrower or Grantor under the terms of any other agreement between Borrower or Grantor and Lender that is not remedied within any grace period provided therein, including without limitation any agreement concerning any indebtedness or other obligation of Borrower or Grantor to Lender, whether existing now or later.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any Guarantor of any of the Indebtedness or any Guarantor dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any Guaranty of the Indebtedness.

Adverse Change. A material adverse change occurs in Grantor's financial condition, or Lender believes the prospect of payment or performance of the Indebtedness is impaired.

Insecurity. Lender in good faith believes itself insecure.

RIGHTS AND REMEDIES ON DEFAULT. Upon the occurrence of an Event of Default and at any time thereafter, Lender, at Lender's option, may exercise any one or more of the following rights and remedies, in addition to any other rights or remedies provided by law:

Accelerate Indebtedness. Lender shall have the right at its option without notice to Borrower or Grantor to declare the entire Indebtedness immediately due and payable, including any prepayment penalty that Borrower would be required to pay.

UCC Remedies. With respect to all or any part of the Personal Property, Lender shall have all the rights and remedies of a secured party under the Uniform Commercial Code.

Collect Rents. Lender shall have the right, without notice to Borrower or Grantor, to take possession of the Property and collect the Rents, including amounts past due and unpaid, and apply the net proceeds, over and above Lender's costs, against the Indebtedness. In furtherance of this right, Lender may require any tenant or other user of the Property to make payments of rent or use fees directly to Lender. If the Rents are collected by Lender, then Grantor irrevocably designates Lender as Grantor's attorney-in-fact to endorse instruments received in payment thereof in the name of Grantor and to negotiate the same and collect the proceeds. Payments by tenants or other users to Lender in response to Lender's demand shall satisfy the obligations for which the payments are made, whether or not any proper grounds for the demand existed. Lender may exercise its rights under this subparagraph either in person, by agent, or through a

receiver.

Appoint Receiver. Lender shall have the right to have a receiver appointed to take possession of all or any part of the Property, with the power to protect and preserve the Property, to operate the Property preceding foreclosure or sale, and to collect the Rents from the Property and apply the proceeds, over and above the cost of the receivership, against the indebtedness. The receiver may serve without bond if permitted by law. Lender's right to the appointment of a receiver shall exist whether or not the apparent value of the Property exceeds the indebtedness by a substantial amount. Employment by Lender shall not disqualify a person from serving as a receiver.

Judicial Foreclosure. Lender may obtain a judicial decree foreclosing Grantor's interest in all or any part of the Property.

Nonjudicial Sale. If permitted by applicable law, Lender may foreclose Grantor's interest in all or in any part of the Personal Property or the Real Property by non-judicial sale.

Deficiency Judgment. If permitted by applicable law, Lender may obtain a judgment for any deficiency remaining in the indebtedness due to Lender after application of all amounts received from the exercise of the rights provided in this section.

Tenancy at Sufferance. If Grantor remains in possession of the Property after the Property is sold as provided above or Lender otherwise becomes entitled to possession of the Property upon default of Borrower or Grantor, Grantor shall become a tenant at sufferance of Lender or the purchaser of the Property and shall, at Lender's option, either (1) pay a reasonable rental for the use of the Property, or (2) vacate the Property immediately upon the demand of Lender.

Other Remedies. Lender shall have all other rights and remedies provided in this Mortgage or the Note or available at law or in equity.

Sale of the Property. To the extent permitted by applicable law, Borrower and Grantor hereby waive any and all right to have the Property marshalled, in exercising its rights and remedies, Lender shall be free to sell all or any part of the Property together or separately, in one sale or by separate sales. Lender shall be entitled to bid at any public sale on all or any portion of the Property.

Notice of Sale. Lender shall give Grantor reasonable notice of the time and place of any public sale of the Personal Property or of the time after which any private sale or other intended disposition of the Personal Property is to be made. Reasonable notice shall mean notice given at least ten (10) days before the time of the sale or disposition. Any sale of the Personal Property may be made in conjunction with any sale of the Real Property.

Election of Remedies. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Grantor under this Mortgage, after Grantor's failure to perform, shall not affect Lender's right to declare a default and exercise its remedies. Nothing under this Mortgage or otherwise shall be construed so as to limit or restrict the rights and remedies available to Lender following an Event of Default, or in any way to limit or restrict the rights and ability of Lender to proceed directly against Grantor and/or Borrower and/or against any other co-maker, guarantor, surety or endorser and/or to proceed against any other collateral directly or indirectly securing the indebtedness.

Attorneys' Fees; Expenses. If Lender institutes any suit or action to enforce any of the terms of this Mortgage, Lender shall be entitled to recover such sum as the court may adjudge reasonable as attorneys' fees at trial and upon any appeal. Whether or not any court action is involved, and to the extent not prohibited by law, all reasonable expenses Lender incurs that in Lender's opinion are necessary at any time for the protection of its interest or the enforcement of its rights shall become a part of the indebtedness payable on demand and shall bear interest at the Note rate from the date of the expenditure until repaid. Expenses covered by this paragraph include, without limitation, however subject to any limits under applicable law, Lender's reasonable attorneys' fees and Lender's legal expenses whether or not there is a lawsuit, including reasonable attorneys' fees and expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services, the cost of searching records, obtaining title reports (including foreclosure reports), surveyors' reports, and appraisal fees and title insurance, to the extent permitted by applicable law. Grantor also will pay any court costs, in addition to all other sums provided by law.

NOTICES. Any notice required to be given under this Mortgage, including without limitation any notice of default and any notice of sale shall be given in writing, and shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addressee shown near the beginning of this Mortgage. All copies of notices of foreclosure from the holder of any lien which has priority over this Mortgage shall be sent to Lender's address, as shown near the beginning of this Mortgage. Any party may change its address for notices under this Mortgage by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Grantor agrees to keep Lender informed at all times of Grantor's current address. Unless otherwise provided or required by law, if there is more than one Grantor, any notice given by Lender to any Grantor is deemed to be notice given to all Grantors.

ADDITIONAL PROVISION. Hypothecation Mortgage - Agreement of Borrower. Borrower, and each of them if more than one, by its execution of this Mortgage, agrees that it shall be subject to, bound by, and personally obligated to pay, observe and perform, jointly and severally with Grantor, each and every of the terms, covenants, and conditions of this Mortgage as if Borrower had executed this Mortgage as Grantor; provided that any limitation of liability on the part of or applicable to Grantor shall not be applicable to or for the benefit of Borrower, it being understood that Borrower's obligations to Lender under this Mortgage or the Related Documents or otherwise are without limit to liability except as may be expressly and specifically set forth in a separate written agreement signed by Lender.

~~**SPOUSAL CONSENT.** Patricia J. Scherer, wife of John Scherer, and Lyn S. Holt, wife of Charles Holt, join in this Mortgage to evidence their assent hereto and to bind any community interest or other interest they may have in any of the Property or the Rents described or referred to herein of any kind or nature in connection with the indebtedness secured or to be secured hereby.~~

GRANTOR'S REPORT ON INSURANCE. Upon request of Lender, however not more than once a year, Grantor shall furnish to Lender a report on each existing policy of insurance showing: (1) the name of the insurer; (2) the risks insured; (3) the amount of the policy; (4) the property insured, the then current replacement value of such property, and the manner of determining that value; and (5) the expiration date of the policy. Grantor shall upon request of Lender, have an independent appraiser satisfactory to Lender determine the cash value replacement cost of the Property.

MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Mortgage:

Amendments. This Mortgage, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Mortgage. No alteration of or amendment to this Mortgage shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

Annual Reports. If the Property is used for purposes other than Grantor's residence, Grantor shall furnish to Lender, upon request, a certified statement of net operating income received from the Property during Grantor's previous fiscal year in such form and detail as Lender shall require. "Net operating income" shall mean all cash receipts from the Property less all cash expenditures made in connection with the operation of the Property.

Caption Headings. Caption headings in this Mortgage are for convenience purposes only and are not to be used to interpret or define the provisions of this Mortgage.

Governing Law. This Mortgage will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Idaho without regard to its conflicts of law provisions. This Mortgage has been accepted by Lender in the State of Idaho.

Choice of Venue. If there is a lawsuit, Grantor agrees upon Lender's request to submit to the jurisdiction of the courts of BLAINE County, State of Idaho.

Joint and Several Liability. All obligations of Borrower and Grantor under this Mortgage shall be joint and several, and all references to Grantor shall mean each and every Grantor, and all references to Borrower shall mean each and every Borrower. This means that each Grantor signing below is responsible for all obligations in this Mortgage.

No Waiver by Lender. Lender shall not be deemed to have waived any rights under this Mortgage unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Mortgage shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Mortgage. No prior waiver by Lender, nor any course of dealing between Lender and Grantor, shall constitute a waiver of any of Lender's rights or of any of Grantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Mortgage, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be

granted or withheld in the sole discretion of Lender.

Severability. If a court of competent jurisdiction finds any provision of this Mortgage to be illegal, invalid, or unenforceable as to any person or circumstance, that finding shall not make the offending provision illegal, invalid, or unenforceable as to any other person or circumstance. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Mortgage. Unless otherwise required by law, the illegality, invalidity, or unenforceability of any provision of this Mortgage shall not affect the legality, validity or enforceability of any other provision of this Mortgage.

Merger. There shall be no merger of the interest or estate created by this Mortgage with any other interest or estate in the Property at any time held by or for the benefit of Lender in any capacity, without the written consent of Lender.

Successors and Assigns. Subject to any limitations stated in this Mortgage on transfer of Grantor's interest, this Mortgage shall be binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Property becomes vested in a person other than Grantor, Lender, without notice to Grantor, may deal with Grantor's successors with reference to this Mortgage and the indebtedness by way of forbearance or extension without releasing Grantor from the obligations of this Mortgage or liability under the indebtedness.

Time is of the Essence. Time is of the essence in the performance of this Mortgage.

Waive Jury. All parties to this Mortgage hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by any party against any other party.

Waiver of Homestead Exemption. Grantor hereby releases and waives all rights and benefits of the homestead exemption laws of the State of Idaho as to all indebtedness secured by this Mortgage.

DEFINITIONS. The following capitalized words and terms shall have the following meanings when used in this Mortgage. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Mortgage shall have the meanings attributed to such terms in the Uniform Commercial Code:

Borrower. The word "Borrower" means WATERFORD PARTNERS III, LLC and includes all co-signers and co-makers signing the Note and all their successors and assigns.

Default. The word "Default" means the Default set forth in this Mortgage in the section titled "Default".

Environmental Laws. The words "Environmental Laws" mean any and all state, federal and local statutes, regulations and ordinances relating to the protection of human health or the environment, including without limitation the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq. ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99-499 ("SARA"), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., or other applicable state or federal laws, rules, or regulations adopted pursuant thereto.

Event of Default. The words "Event of Default" mean any of the events of default set forth in this Mortgage in the events of default section of this Mortgage.

Grantor. The word "Grantor" means JOHN SCHERER and CHARLES HOLT.

Guarantor. The word "Guarantor" means any guarantor, surety, or accommodation party of any or all of the Indebtedness.

Guaranty. The word "Guaranty" means the guaranty from Guarantor to Lender, including without limitation a guaranty of all or part of the Note.

Hazardous Substances. The words "Hazardous Substances" mean materials that, because of their quantity, concentration or physical, chemical or infectious characteristics, may cause or pose a present or potential hazard to human health or the environment when improperly used, treated, stored, disposed of, generated, manufactured, transported or otherwise handled. The words "Hazardous Substances" are used in their very broadest sense and include without limitation any and all hazardous or toxic substances, materials or waste as defined by or listed under the Environmental Laws. The term "Hazardous Substances" also includes, without limitation, petroleum and petroleum by-products or any fraction thereof and asbestos.

Improvements. The word "Improvements" means all existing and future improvements, buildings, structures, mobile homes affixed on the Real Property, facilities, additions, replacements and other construction on the Real Property.

Indebtedness. The word "Indebtedness" means all principal, interest, and other amounts, costs and expenses payable under the Note or Related Documents, together with all renewals of, extensions of, modifications of, consolidations of and substitutions for the Note or Related Documents and any amounts expended or advanced by Lender to discharge Grantor's obligations or expenses incurred by Lender to enforce Grantor's obligations under this Mortgage, together with interest on such amounts as provided in this Mortgage. Specifically, without limitation, Indebtedness includes all amounts that may be indirectly secured by the Cross-Collateralization provision of this Mortgage.

Lender. The word "Lender" means IDAHO INDEPENDENT BANK, its successors and assigns.

Mortgage. The word "Mortgage" means this Mortgage between Grantor and Lender.

Note. The word "Note" means the promissory note dated June 10, 2009, in the original principal amount of \$107,000.00 from Borrower to Lender, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the promissory note or agreement. NOTICE TO GRANTOR: THE NOTE CONTAINS A VARIABLE INTEREST RATE.

Personal Property. The words "Personal Property" mean all equipment, fixtures, and other articles of personal property now or hereafter owned by Grantor, and now or hereafter attached or affixed to the Real Property; together with all accessions, parts, and additions to, all replacements of, and all substitutions for, any of such property; and together with all proceeds (including without limitation all insurance proceeds and refunds of premiums) from any sale or other disposition of the Property.

Property. The word "Property" means collectively the Real Property and the Personal Property.

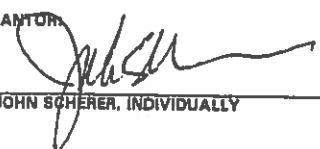
Real Property. The words "Real Property" mean the real property, interests and rights, as further described in this Mortgage.

Related Documents. The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Indebtedness.

Rents. The word "Rents" means all present and future rents, revenues, income, issues, royalties, profits, and other benefits derived from the Property.

EACH GRANTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS MORTGAGE, AND EACH GRANTOR AGREES TO ITS TERMS.

GRANTOR

x 
JOHN SCHERER, INDIVIDUALLY

x 
CHARLES HOLT, INDIVIDUALLY

SPOUSAL CONSENT:

SPOUSAL CONSENT:

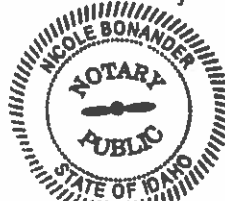
~~PATRICIA J. SCHERER, INDIVIDUALLY~~~~LYN S. HOLT, INDIVIDUALLY~~~~ACKNOWLEDGED AND AGREED:~~~~WATERFORD PARTNERS III, LLC~~~~By: JOHN SCHERER, Member of WATERFORD PARTNERS III, LLC~~

INDIVIDUAL ACKNOWLEDGMENT

STATE OF IdahoCOUNTY OF Blaine

On this 25 day of June, in the year 20 09, before me Nicole Bonander, a notary public in and for the State of Idaho, personally appeared JOHN SCHERER, INDIVIDUALLY and CHARLES HOLT, INDIVIDUALLY, known or identified to me (or proved to me on the oath of Nicole Bonander), to be the persons whose names are subscribed to the within instrument and acknowledged to me that they executed the same.

Notary Public for Idaho

Residing at HaileyMy commission expires Feb 12, 2015

INDIVIDUAL NOTARY

STATE OF IDAHO

County of Blaine) SS.

On this 25 day of June, before me, the undersigned notary public in and for said state, personally appeared PATRICIA J. SCHERER, known or identified to me to be the person(s) whose name (s) is/are subscribed to the within instrument, and acknowledged to me he/she/they executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year first above written.

Notary Public for Idaho
Residing at: Hailey
Commission expires:

INDIVIDUAL NOTARY
STATE OF IDAHOCounty of Blaine) SS.

On this 25 day of June, before me, the undersigned notary public in and for said state, personally appeared LYN S. HOLT, known or identified to me to be the person(s) whose name (s) is/are subscribed to the within instrument, and acknowledged to me he/she/they executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year first above written.

Notary Public for Idaho
Residing at:
Commission expires:

LIMITED LIABILITY COMPANY NOTARY

STATE OF IDAHO

County of Blaine)

On this 25 day of June, before me, the undersigned notary public in and for said state, personally appeared JOHN SCHERER, known or identified to me to be the managing member(s) in the Limited Liability Company of WATERFORD PARTNERS III, LLC the Limited Liability Company that executed the within instrument or the person who executed the same on behalf of said Limited Liability Company, and acknowledged to me that said Limited Liability Company executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year first above written.

Notary Public for Idaho
Residing at:

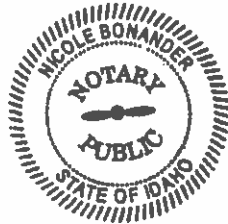
Commission expires:

LIMITED LIABILITY COMPANY NOTARY
STATE OF IDAHO

County of Blairstown

On this 25 day of June, before me, the undersigned notary public in and for said state, personally appeared JOHN SCHERER, known or identified to me to be the managing member(s) in the Limited Liability Company of WATERFORD PARTNERS III, and acknowledged to me that said Limited Liability Company executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year first above written.



Nicole Bonander
Notary Public for Idaho
Residing at: Hailey

Commission expires: Feb 12, 2015

No. W 25422	Due no later than Aug 31, 2009 Annual Report Form		2. Registered Agent and Address (NO PO BOX)			
Return to: SECRETARY OF STATE 700 WEST JEFFERSON PO BOX 83720 BOISE, ID 83720-0080 NO FILING FEE IF RECEIVED BY DUE DATE	1. Mailing Address: Correct in this box if needed. SOUTH COUNTY ESTATES, L.L.C. JOHN SCHERER PO BOX 2127 KETCHUM ID 83340 USA		JOHN SCHERER 124 DEER VALLEY LANE HAILEY ID 83333			
			3. <u>New</u> Registered Agent Signature:*			
4. Limited Liability Companies: Enter Names and Addresses of at least one Member or Manager.						
Office Held MEMBER	Name JOHN SCHERER	Street or PO Address PO BOX 1539	City KETCHUM	State ID	Country USA	Postal Code 83340
5. Organized Under the Laws of: ID W 25422		6. Annual Report must be signed.* Signature: John R. Scherer Name (type or print): John R. Scherer Date: 07/15/2009 Title: Managing Member				
Processed 07/15/2009		* Electronically provided signatures are accepted as original signatures.				



State of Idaho

DEPARTMENT OF WATER RESOURCES

1341 Fillmore Street, Suite 200; Twin Falls ID 83301-3380

Phone: (208) 736-3033 FAX: (208) 736-3037 www.idwr.idaho.gov

July 24, 2009

C.L. "BUTCH" OTTER
Governor
GARY SPACKMAN
Interim Director

IDAHO INDEPENDENT BANK
491 N MAIN ST
KETCHUM ID 83340

RE: SOUTH COUNTY ESTATES LLC #37-481C, 37-577BT,
37-482H, 37-483C, 37-2630

Dear Sir or Madam,

Pursuant to a Notice of Security Interest in a Water Right that was submitted to the Department, we have added security interests to the above water right claims. Please find the enclosed copies of the proof reports of the water rights noting the addition of the security interest. Review these records and if there is an error, or you have any questions, please contact this office.

Sincerely,

Carrie Hahn
Clerk

Enclosures

IDAHO DEPARTMENT OF WATER RESOURCES

Adjudication Recommendation Report 37-577BT V1

WATER RIGHT NUMBER: 37-577BT V1

<u>Owner Type</u>	<u>Name and Address</u>
Security Interest	MOUNTAIN WEST BANK PO BOX 1059 COEUR D ALENE, ID 83816
Attorney	JAMES P SPECK SPECK & AANESTAD PO BOX 987 KETCHUM, ID 83340 (208)726-4421
Current Owner	SOUTH COUNTY ESTATES LLC PO BOX 1539 KETCHUM, ID 83340 (208)726-7111

Priority Date: 03/24/1883

Basis: Decreed

Status: Active

Source

BIG WOOD RIVER

Tributary

MALAD RIVER

Beneficial Use

IRRIGATION

From To

04/15 to 10/31

Diversion Rate

2.200 CFS

Annual VolumeTotal Diversion:

2.200 CFS

Location of Point(s) of Diversion

BIG WOOD RIVER

SW1/4NW1/4

Sec. 36, Twp 02N, Rge 18E, B.M.

BLAINE County

Place of Use

IRRIGATION

Twp	Rge	Sec	NE				NW				SW				SE				Totals
			NE	NW	SW	SE	NE	NW	SW	SE	NE	NW	SW	SE	NE	NW	SW	SE	
01N	19E	6									24.0	33.0	12.0	39.0				8.5	116.5
											L6	L7							

IDAHO DEPARTMENT OF WATER RESOURCES

Adjudication Recommendation Report 37-577BT V1

01N 19E 7	31.0	38.0	15.0	28.0	5.5	35.0	20.0	172.5
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Total Acres: 289

Conditions of Approval:

1. G05 Water diverted from Headgate #45 delivered through District Canal.
2. E56 The rights listed below are limited to the irrigation of a combined total of 289 acres in a single irrigation season. Combined Right Nos.: 37-482H, 37-481C, 37-483C, 37-577BT, and 37-2630.
3. C18 This partial decree is subject to such general provisions necessary for the definition of the rights or for the efficient administration of the water rights as may be ultimately determined by the Court at a point in time no later than the entry of a final unified decree. Section 42-1412(6), Idaho Code.

Remarks:Comments:Dates and Other Information:

Decreed Date:
 Enlargement Use Priority Date:
 Enlargement Statute Priority Date:
 Defendant:
 Plaintiff:
 Civil Case Number:
 Judicial District:
 Notice of Error Flag:
 State or Federal: S
 Owner Name Connector:
 Water District Number: 37
 Generic Max Rate Per Acre:
 Generic Max Volume Per Acre:
 Swan Falls Trust or Nontrust:
 Swan Falls Dismissed:
 DLE Act Number:
 Carey Act Number:
 Mitigation Plan: False

Combined Use Limits:

Rate	Volume	Acres
		289

Combined Water Rights: 37-481C , 37-482H , 37-483C , 37-577BT, 37-2630

IDAHO DEPARTMENT OF WATER RESOURCES
Adjudication Recommendation Report 37-577BT V1

SubCase:

SubCase Number: 37-577BT
Class: 1
SF5 Filed Date:
Special Master Recom Signed Date:
Attorney Assigned:
Adjudication Agent: nerickson
Basis of Claim: Decreed
Date Filed: 12/28/2007 Objection Status: Active
Date Filed: 12/21/2007 Objection Status: Active
Date Filed: 1/4/2008 Objection Status: Active
Date Filed: 11/14/2007 Objection Status: Active
Date Filed: 11/14/2007 Objection Status: Active
Date Filed: 11/14/2007 Objection Status: Active
Date Filed: 11/14/2007 Objection Status: Active
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Date Filed: 11/14/2007 Objection Status: Active
Date Filed: 11/14/2007 Objection Status: Active
Date Filed: 11/14/2007 Objection Status: Active

Water Supply Bank:

RECEIVED

JUN 13 2008

WATER RESOURCES
WESTERN REGIONSTATE OF IDAHO
DEPARTMENT OF WATER RESOURCES**Notice of Security Interest in a Water Right**And Request for Notification of a Change in Ownership or Any Proposed
Or Final Action to Amend, Transfer, or Otherwise Modify a Water Right

Please print or type. Attach pages with additional information. Instructions are on the back of this page.

Incomplete forms will be returned.

1. Water Right No(s): ADJ 37-481C; ADJ 37-577BT; ADJ 37-482H; ADJ 37-483C; ADJ 37-2630

Adjudication Claim No(s): _____

2. The following **REQUIRED** information must be submitted with this form:A) Evidence of the security interest. This may be a copy of a **DEED of TRUST, MORTGAGE, CONTRACT OF SALE** or other legal document indicating your interest in the property and water rights or claims in question, **WITH ATTACHED LEGAL DESCRIPTION.**B) A **FEE of \$25.00** per water right or adjudication claim.

3. Name and Mailing Address of Person or Company holding Security Interest

MOUNTAIN WEST BANKPO BOX 1059COEUR d' ALENE, ID 83816

4. Name of Water Right Owner/Claimant(s)

SOUTH COUNTY ESTATES, LLC

5. Expiration Date of Notification Period

July 13, 2013

6. Is this a Renewal of Request for Notification?

☐ YES☒ NO7. Signature(s) of Security Interest holder(s)
(and title if applicable)David R. Plummer SVP
Mountain West Bank

For Office Use Only

Received by [Signature]Date June 13, 08Fee \$125.00Receipted by [Signature]Date June 13, 08Receipt No. 5036604Processed by AJ

Date _____

WR _____

Date _____

RECEIVED

JUN 16 2008

Department of Water Resources
Eastern Region

RECORD ON REQUESTED BY:
Mountain West Bank
Southern Idaho Comm'l Loan Center
2950 MAGIC VIEW DRIVE SUITE 150
MERIDIAN, ID 83642

St Lien

RECEIVED
JUN 13 2008
WATER RESOURCES
WESTERN REGION

WHEN RECORDED MAIL TO:
Mountain West Bank
Southern Idaho Comm'l Loan Center
2950 MAGIC VIEW DRIVE SUITE 150
MERIDIAN, ID 83642

SEND TAX NOTICES TO:
Mountain West Bank
Southern Idaho Comm'l Loan Center
2950 MAGIC VIEW DRIVE SUITE 150
MERIDIAN, ID 83642

Instrument # 527439
HAILEY, BLAINE, IDAHO
2005-10-14 12:14:00 No. of Pages: 9
Recorded for : BLAINE COUNTY TITLE
MARSHA RIEMANN Fee: 27.00
Ex-Officio Recorder Deputy
Index to: DEED OF TRUST-SECOND DEED TRUSTMGT *mp*

SPACE ABOVE THIS LINE IS FOR RECORDER'S USE ONLY

MORTGAGE

THIS MORTGAGE dated October 13, 2005, is made and executed between SOUTH COUNTY ESTATES, L.L.C., AN IDAHO LIMITED LIABILITY COMPANY, whose address is PO BOX 1539, KETCHUM, ID 83340 (referred to below as "Grantor") and Mountain West Bank, whose address is 2950 MAGIC VIEW DRIVE SUITE 150, MERIDIAN, ID 83642 (referred to below as "Lender").

GRANT OF MORTGAGE. For valuable consideration, Grantor mortgages, grants, bargains, sells and conveys to Lender all of Grantor's right, title, and interest in and to the following described real property, together with all existing or subsequently erected or affixed buildings, improvements and fixtures; all easements, rights of way, and appurtenances; all water, water rights, watercourses and ditch rights (including stock in utilities with ditch or irrigation rights); and all other rights, royalties, and profits relating to the real property, including without limitation all minerals, oil, gas, geothermal and similar matters, (the "Real Property") located in BLAINE County, State of Idaho:

See EXHIBIT A, which is attached to this Mortgage and made a part of this Mortgage as if fully set forth herein.

The Real Property or its address is commonly known as 280 ACRES @ GANNETT RD, BELLEVUE, ID 83340. The Real Property tax identification number is 01N19006098CA.

CROSS-COLLATERALIZATION. In addition to the Note, this Mortgage secures all obligations, debts and liabilities, plus interest thereon, of Grantor to Lender, or any one or more of them, as well as all claims by Lender against Grantor or any one or more of them, whether now existing or hereafter arising, whether related or unrelated to the purpose of the Note, whether voluntary or otherwise, whether due or not due, direct or indirect, determined or undetermined, absolute or contingent, liquidated or unliquidated whether Grantor may be liable individually or jointly with others, whether obligated as guarantor, surety, accommodation party or otherwise, and whether recovery upon such amounts may be or hereafter may become otherwise unenforceable.

Grantor presently assigns to Lender all of Grantor's right, title, and interest in and to all present and future leases of the Property and all Rents from the Property. In addition, Grantor grants to Lender a Uniform Commercial Code security interest in the Personal Property and Rents.

THIS MORTGAGE, INCLUDING THE ASSIGNMENT OF RENTS AND THE SECURITY INTEREST IN THE RENTS AND PERSONAL PROPERTY, IS GIVEN TO SECURE (A) PAYMENT OF THE INDEBTEDNESS AND (B) PERFORMANCE OF ANY AND ALL OBLIGATIONS UNDER THE NOTE, THE RELATED DOCUMENTS, AND THIS MORTGAGE. THIS MORTGAGE IS GIVEN AND ACCEPTED ON THE FOLLOWING TERMS:

PAYMENT AND PERFORMANCE. Except as otherwise provided in this Mortgage, Grantor shall pay to Lender all amounts secured by this Mortgage as they become due and shall strictly perform all of Grantor's obligations under this Mortgage.

POSSESSION AND MAINTENANCE OF THE PROPERTY. Grantor agrees that Grantor's possession and use of the Property shall be governed by the following provisions:

Possession and Use. Until the occurrence of an Event of Default, Grantor may (1) remain in possession and control of the Property; (2) use, operate or manage the Property; and (3) collect the Rents from the Property. The following provisions relate to the use of the Property or to other limitations on the Property.

Duty to Maintain. Grantor shall maintain the Property in tenantable condition and promptly perform all repairs, replacements, and maintenance necessary to preserve its value.

Compliance With Environmental Laws. Grantor represents and warrants to Lender that: (1) During the period of Grantor's ownership of the Property, there has been no use, generation, manufacture, storage, treatment, disposal, release or threatened release of any Hazardous Substance by any person on, under, about or from the Property; (2) Grantor has no knowledge of, or reason to believe that there has been, except as previously disclosed to and acknowledged by Lender in writing, (a) any breach or violation of any Environmental Laws, (b) any use, generation, manufacture, storage, treatment, disposal, release or threatened release of any Hazardous Substance on, under, about or from the Property by any prior owners or occupants of the Property, or (c) any actual or threatened litigation or claims of any kind by any person relating to such matters; and (3) Except as previously disclosed to and acknowledged by Lender in writing, (a) neither Grantor nor any tenant, contractor, agent or other authorized user of the Property shall use, generate, manufacture, store, treat, dispose of or release any Hazardous Substance on, under, about or from the Property; and (b) any such activity shall be conducted in compliance with all applicable federal, state, and local laws, regulations and ordinances, including without limitation all Environmental Laws. Grantor authorizes Lender and its agents to enter upon the Property to make such inspections and tests, at Grantor's expense, as Lender may deem appropriate to determine compliance of the Property with this section of the Mortgage. Any inspections or tests made by Lender shall be for Lender's purposes only and shall not be construed to create any responsibility or liability on the part of Lender to Grantor or to any other person. The representations and warranties contained herein are based on Grantor's due diligence in investigating the Property for Hazardous Substances. Grantor hereby (1) releases and waives any future claims against Lender for indemnity or contribution in the event Grantor becomes liable for cleanup or other costs under any such laws; and (2) agrees to indemnify and hold harmless Lender against any and all claims, losses, liabilities, damages, penalties, and expenses which Lender may directly or indirectly sustain or suffer resulting from a breach of this section of the Mortgage or as a consequence of any use, generation, manufacture, storage, disposal, release or threatened release occurring prior to Grantor's ownership or interest in the Property, whether or not the same was or should have been known to Grantor. The provisions of this section of the Mortgage, including the obligation to indemnify, shall survive the payment of the Indebtedness and the satisfaction and reconveyance of the lien of this Mortgage and shall not be affected by Lender's acquisition of any interest in the Property, whether by foreclosure or otherwise.

Nuisance, Waste. Grantor shall not cause, conduct or permit any nuisance nor commit, permit, or suffer any stripping of or waste on or to the Property or any portion of the Property. Without limiting the generality of the foregoing, Grantor will not remove, or grant to any other party the right to remove, any timber, minerals (including oil and gas), coal, clay, scoria, soil, gravel or rock products without Lender's prior written consent.

Removal of Improvements. Grantor shall not demolish or remove any Improvements from the Real Property without Lender's prior written consent. As a condition to the removal of any Improvements, Lender may require Grantor to make arrangements satisfactory to Lender to replace such Improvements with Improvements of at least equal value.

Lender's Right to Enter. Lender and Lender's agents and representatives may enter upon the Real Property at all reasonable times to attend to Lender's interests and to inspect the Real Property for purposes of Grantor's compliance with the terms and conditions of this Mortgage.

Compliance with Governmental Requirements. Grantor shall promptly comply with all laws, ordinances, and regulations, now or hereafter in effect, of all governmental authorities applicable to the use or occupancy of the Property, including without limitation, the Americans With Disabilities Act. Grantor may contest in good faith any such law, ordinance, or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Grantor has notified Lender in writing prior to doing so and so long as, in Lender's sole opinion, Lender's interests in the Property are not jeopardized. Lender may require Grantor to post adequate security or a surety bond,

reasonably satisfactory to Lender, to protect Lender's interest.

Duty to Protect. Grantor agrees neither to abandon or leave unattended the Property. Grantor shall do all other acts, in addition to those acts set forth above in this section, which from the character and use of the Property are reasonably necessary to protect and preserve the Property.

DUE ON SALE - CONSENT BY LENDER. Lender may, at Lender's option, declare immediately due and payable all sums secured by this Mortgage upon the sale or transfer, without Lender's prior written consent, of all or any part of the Real Property, or any interest in the Real Property. A "sale or transfer" means the conveyance of Real Property or any right, title or interest in the Real Property; whether legal, beneficial or equitable; whether voluntary or involuntary; whether by outright sale, deed, installment sale contract, land contract, contract for deed, leasehold interest with a term greater than three (3) years, lease-option contract, or by sale, assignment, or transfer of any beneficial interest in or to any land trust holding title to the Real Property, or by any other method of conveyance of an interest in the Real Property. If any Grantor is a corporation, partnership or limited liability company, transfer also includes any change in ownership of more than twenty-five percent (25%) of the voting stock, partnership interests or limited liability company interests, as the case may be, of such Grantor. However, this option shall not be exercised by Lender if such exercise is prohibited by federal law or by Idaho law.

TAXES AND LIENS. The following provisions relating to the taxes and liens on the Property are part of this Mortgage:

Payment. Grantor shall pay when due (and in all events prior to delinquency) all taxes, payroll taxes, special taxes, assessments, water charges and sewer service charges levied against or on account of the Property, and shall pay when due all claims for work done on or for services rendered or material furnished to the Property. Grantor shall maintain the Property free of any liens having priority over or equal to the interest of Lender under this Mortgage, except for those liens specifically agreed to in writing by Lender, and except for the lien of taxes and assessments not due as further specified in the Right to Contest paragraph.

Right to Contest. Grantor may withhold payment of any tax, assessment, or claim in connection with a good faith dispute over the obligation to pay, so long as Lender's interest in the Property is not jeopardized. If a lien arises or is filed as a result of nonpayment, Grantor shall within fifteen (15) days after the lien arises or, if a lien is filed, within fifteen (15) days after Grantor has notice of the filing, secure the discharge of the lien, or if requested by Lender, deposit with Lender cash or a sufficient corporate surety bond or other security satisfactory to Lender in an amount sufficient to discharge the lien plus any costs and reasonable attorneys' fees, or other charges that could accrue as a result of a foreclosure or sale under the lien. In any contest, Grantor shall defend itself and Lender and shall satisfy any adverse judgment before enforcement against the Property. Grantor shall name Lender as an additional obligee under any surety bond furnished in the contest proceedings.

Evidence of Payment. Grantor shall upon demand furnish to Lender satisfactory evidence of payment of the taxes or assessments and shall authorize the appropriate governmental official to deliver to Lender at any time a written statement of the taxes and assessments against the Property.

Notice of Construction. Grantor shall notify Lender at least fifteen (15) days before any work is commenced, any services are furnished, or any materials are supplied to the Property, if any mechanic's lien, materialman's lien, or other lien could be asserted on account of the work, services, or materials. Grantor will upon request of Lender furnish to Lender advance assurances satisfactory to Lender that Grantor can and will pay the cost of such improvements.

PROPERTY DAMAGE INSURANCE. The following provisions relating to insuring the Property are a part of this Mortgage:

Maintenance of Insurance. Grantor shall procure and maintain policies of fire insurance with standard extended coverage endorsements on a replacement basis for the full insurable value covering all improvements on the Real Property in an amount sufficient to avoid application of any coinsurance clause, and with a standard mortgagee clause in favor of Lender. Grantor shall also procure and maintain comprehensive general liability insurance in such coverage amounts as Lender may request with Lender being named as additional insureds in such liability insurance policies. Additionally, Grantor shall maintain such other insurance, including but not limited to hazard, business interruption and boiler insurance as Lender may require. Policies shall be written by such insurance companies and in such form as may be reasonably acceptable to Lender. Grantor shall deliver to Lender certificates of coverage from each insurer containing a stipulation that coverage will not be cancelled or diminished without a minimum of thirty (30) days' prior written notice to Lender and not containing any disclaimer of the insurer's liability for failure to give such notice. Each insurance policy also shall include an endorsement providing that coverage in favor of Lender will not be impaired in any way by any act, omission or default of Grantor or any other person. Should the Real Property be located in an area designated by the Director of the Federal Emergency Management Agency as a special flood hazard area, Grantor agrees to obtain and maintain Federal Flood Insurance, if available, within 45 days after notice is given by Lender that the Property is located in a special flood hazard area, for the full unpaid principal balance of the loan and any prior liens on the property securing the loan, up to the maximum policy limits set under the National Flood Insurance Program, or as otherwise required by Lender, and to maintain such insurance for the term of the loan.

Application of Proceeds. Grantor shall promptly notify Lender of any loss or damage to the Property. Lender may make proof of loss if Grantor fails to do so within fifteen (15) days of the casualty. Whether or not Lender's security is impaired, Lender may, at Lender's election, receive and retain the proceeds of any insurance and apply the proceeds to the reduction of the indebtedness, payment of any lien affecting the Property, or the restoration and repair of the Property. If Lender elects to apply the proceeds to restoration and repair, Grantor shall repair or replace the damaged or destroyed improvements in a manner satisfactory to Lender. Lender shall, upon satisfactory proof of such expenditure, pay or reimburse Grantor from the proceeds for the reasonable cost of repair or restoration if Grantor is not in default under this Mortgage. Any proceeds which have not been disbursed within 180 days after their receipt and which Lender has not committed to the repair or restoration of the Property shall be used first to pay any amount owing to Lender under this Mortgage, then to pay accrued interest, and the remainder, if any, shall be applied to the principal balance of the indebtedness. If Lender holds any proceeds after payment in full of the indebtedness, such proceeds shall be paid to Grantor as Grantor's interests may appear.

Grantor's Report on Insurance. Upon request of Lender, however not more than once a year, Grantor shall furnish to Lender a report on each existing policy of insurance showing: (1) the name of the insurer; (2) the risks insured; (3) the amount of the policy; (4) the property insured, the then current replacement value of such property, and the manner of determining that value; and (5) the expiration date of the policy. Grantor shall, upon request of Lender, have an independent appraiser satisfactory to Lender determine the cash value replacement cost of the Property.

LENDER'S EXPENDITURES. If any action or proceeding is commenced that would materially affect Lender's interest in the Property or if Grantor fails to comply with any provision of this Mortgage or any Related Documents, including but not limited to Grantor's failure to discharge or pay when due any amounts Grantor is required to discharge or pay under this Mortgage or any Related Documents, Lender on Grantor's behalf may (but shall not be obligated to) take any action that Lender deems appropriate, including but not limited to discharging or paying all taxes, liens, security interests, encumbrances and other claims, at any time levied or placed on the Property and paying all costs for insuring, maintaining and preserving the Property. All such expenditures incurred or paid by Lender for such purposes will then bear interest at the rate charged under the Note from the date incurred or paid by Lender to the date of repayment by Grantor. All such expenses will become a part of the indebtedness and, at Lender's option, will (A) be payable on demand; (B) be added to the balance of the Note and be apportioned among and be payable with any installment payments to become due during either (1) the term of any applicable insurance policy; or (2) the remaining term of the Note; or (C) be treated as a balloon payment which will be due and payable at the Note's maturity. The Mortgage also will secure payment of these amounts. Such right shall be in addition to all other rights and remedies to which Lender may be entitled upon Default.

WARRANTY; DEFENSE OF TITLE. The following provisions relating to ownership of the Property are a part of this Mortgage:

Title. Grantor warrants that: (a) Grantor holds good and marketable title of record to the Property in fee simple, free and clear of all liens and encumbrances other than those set forth in the Real Property description or in any title insurance policy, title report, or final title opinion issued in favor of, and accepted by, Lender in connection with this Mortgage, and (b) Grantor has the full right, power, and authority to execute and deliver this Mortgage to Lender.

Defense of Title. Subject to the exception in the paragraph above, Grantor warrants and will forever defend the title to the Property against the lawful claims of all persons. In the event any action or proceeding is commenced that questions Grantor's title or the interest of Lender under this Mortgage, Grantor shall defend the action at Grantor's expense. Grantor may be the nominal party in such proceeding, but Lender shall be entitled to participate in the proceeding and to be represented in the proceeding by counsel of Lender's own choice, and Grantor will deliver, or cause to be delivered, to Lender such instruments as Lender may request from time to time to permit such participation.

Compliance With Laws. Grantor warrants that the Property and Grantor's use of the Property complies with all existing applicable laws, ordinances, and regulations of governmental authorities.

Survival of Representations and Warranties. All representations, warranties, and agreements made by Grantor in this Mortgage shall

survive the execution and delivery of this Mortgage, shall be continuing in nature, and shall remain in full force and effect until such time as Grantor's Indebtedness shall be paid in full.

CONDEMNATION. The following provisions relating to condemnation proceedings are a part of this Mortgage:

Proceedings. If any proceeding in condemnation is filed, Grantor shall promptly notify Lender in writing, and Grantor shall promptly take such steps as may be necessary to defend the action and obtain the award. Grantor may be the nominal party in such proceeding, but Lender shall be entitled to participate in the proceeding and to be represented in the proceeding by counsel of its own choice, and Grantor will deliver or cause to be delivered to Lender such instruments and documentation as may be requested by Lender from time to time to permit such participation.

Application of Net Proceeds. If all or any part of the Property is condemned by eminent domain proceedings or by any proceeding or purchase in lieu of condemnation, Lender may at its election require that all or any portion of the net proceeds of the award be applied to the Indebtedness or the repair or restoration of the Property. The net proceeds of the award shall mean the award after payment of all reasonable costs, expenses, and attorneys' fees incurred by Lender in connection with the condemnation.

IMPOSITION OF TAXES, FEES AND CHARGES BY GOVERNMENTAL AUTHORITIES. The following provisions relating to governmental taxes, fees and charges are a part of this Mortgage:

Current Taxes, Fees and Charges. Upon request by Lender, Grantor shall execute such documents in addition to this Mortgage and take whatever other action is requested by Lender to perfect and continue Lender's lien on the Real Property. Grantor shall reimburse Lender for all taxes, as described below, together with all expenses incurred in recording, perfecting or continuing this Mortgage, including without limitation all taxes, fees, documentary stamps, and other charges for recording or registering this Mortgage.

Taxes. The following shall constitute taxes to which this section applies: (1) a specific tax upon this type of Mortgage or upon all or any part of the Indebtedness secured by this Mortgage; (2) a specific tax on Grantor which Grantor is authorized or required to deduct from payments on the Indebtedness secured by this type of Mortgage; (3) a tax on this type of Mortgage chargeable against the Lender or the holder of the Note; and (4) a specific tax on all or any portion of the Indebtedness or on payments of principal and interest made by Grantor.

Subsequent Taxes. If any tax to which this section applies is enacted subsequent to the date of this Mortgage, this event shall have the same effect as an Event of Default, and Lender may exercise any or all of its available remedies for an Event of Default as provided below unless Grantor either (1) pays the tax before it becomes delinquent, or (2) contests the tax as provided above in the Taxes and Liens section and deposits with Lender cash or a sufficient corporate surety bond or other security satisfactory to Lender.

SECURITY AGREEMENT; FINANCING STATEMENTS. The following provisions relating to this Mortgage as a security agreement are a part of this Mortgage:

Security Agreement. This instrument shall constitute a Security Agreement to the extent any of the Property constitutes fixtures, and Lender shall have all of the rights of a secured party under the Uniform Commercial Code as amended from time to time.

Security Interest. Upon request by Lender, Grantor shall take whatever action is requested by Lender to perfect and continue Lender's security interest in the Rents and Personal Property. In addition to recording this Mortgage in the real property records, Lender may, at any time and without further authorization from Grantor, file executed counterparts, copies or reproductions of this Mortgage as a financing statement. Grantor shall reimburse Lender for all expenses incurred in perfecting or continuing this security interest. Upon default, Grantor shall not remove, sever or detach the Personal Property from the Property. Upon default, Grantor shall assemble any Personal Property not affixed to the Property in a manner and at a place reasonably convenient to Grantor and Lender and make it available to Lender within three (3) days after receipt of written demand from Lender to the extent permitted by applicable law.

Addresses. The mailing addresses of Grantor (debtor) and Lender (secured party) from which information concerning the security interest granted by this Mortgage may be obtained (each as required by the Uniform Commercial Code) are as stated on the first page of this Mortgage.

FURTHER ASSURANCES; ATTORNEY-IN-FACT. The following provisions relating to further assurances and attorney-in-fact are a part of this Mortgage:

Further Assurances. At any time, and from time to time, upon request of Lender, Grantor will make, execute and deliver, or will cause to be made, executed or delivered, to Lender or to Lender's designee, and when requested by Lender, cause to be filed, recorded, refilled, or rerecorded, as the case may be, at such times and in such offices and places as Lender may deem appropriate, any and all such mortgages, deeds of trust, security deeds, security agreements, financing statements, continuation statements, instruments of further assurance, certificates, and other documents as may, in the sole opinion of Lender, be necessary or desirable in order to effectuate, complete, perfect, continue, or preserve (1) Grantor's obligations under the Note, this Mortgage, and the Related Documents, and (2) the liens and security interests created by this Mortgage as first and prior liens on the Property, whether now owned or hereafter acquired by Grantor. Unless prohibited by law or Lender agrees to the contrary in writing, Grantor shall reimburse Lender for all costs and expenses incurred in connection with the matters referred to in this paragraph.

Attorney-in-Fact. If Grantor fails to do any of the things referred to in the preceding paragraph, Lender may do so for and in the name of Grantor and at Grantor's expense. For such purposes, Grantor hereby irrevocably appoints Lender as Grantor's attorney-in-fact for the purpose of making, executing, delivering, filing, recording, and doing all other things as may be necessary or desirable, in Lender's sole opinion, to accomplish the matters referred to in the preceding paragraph.

FULL PERFORMANCE. If Grantor pays all the Indebtedness when due, and otherwise performs all the obligations imposed upon Grantor under this Mortgage, Lender shall execute and deliver to Grantor a suitable satisfaction of this Mortgage and suitable statements of termination of any financing statement on file evidencing Lender's security interest in the Rents and the Personal Property. Grantor will pay, if permitted by applicable law, any reasonable termination fee as determined by Lender from time to time.

EVENTS OF DEFAULT. Each of the following, at Lender's option, shall constitute an Event of Default under this Mortgage:

Payment Default. Grantor fails to make any payment when due under the Indebtedness.

Default on Other Payments. Failure of Grantor within the time required by this Mortgage to make any payment for taxes or insurance, or any other payment necessary to prevent filing of or to effect discharge of any lien.

Other Defaults. Grantor fails to comply with or to perform any other term, obligation, covenant or condition contained in this Mortgage or in any of the Related Documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Grantor.

False Statements. Any warranty, representation or statement made or furnished to Lender by Grantor or on Grantor's behalf under this Mortgage or the Related Documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Defective Collateralization. This Mortgage or any of the Related Documents ceases to be in full force and effect (including failure of any collateral document to create a valid and perfected security interest or lien) at any time and for any reason.

Death or Insolvency. The dissolution of Grantor's (regardless of whether election to continue is made), any member withdraws from the limited liability company, or any other termination of Grantor's existence as a going business or the death of any member, the insolvency of Grantor, the appointment of a receiver for any part of Grantor's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Grantor.

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Grantor or by any governmental agency against any property securing the Indebtedness. This includes a garnishment of any of Grantor's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Grantor as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Grantor gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Breach of Other Agreement. Any breach by Grantor under the terms of any other agreement between Grantor and Lender that is not remedied within any grace period provided therein, including without limitation any agreement concerning any indebtedness or other obligation of Grantor to Lender, whether existing now or later.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any Guarantor of any of the Indebtedness or any Guarantor dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any Guaranty of the Indebtedness. In the event of a death, Lender, at its option, may, but shall not be required to, permit the Guarantor's estate to assume unconditionally the obligations arising under the guaranty in a manner satisfactory to Lender, and, in doing so, cure any Event of Default.

Adverse Change. A material adverse change occurs in Grantor's financial condition, or Lender believes the prospect of payment or performance of the Indebtedness is impaired.

Insecurity. Lender in good faith believes itself insecure.

Right to Cure. If any default, other than a default in payment is curable and if Grantor has not been given a notice of a breach of the same provision of this Mortgage within the preceding twelve (12) months, it may be cured if Grantor, after receiving written notice from Lender demanding cure of such default: (1) cures the default within ten (10) days; or (2) if the cure requires more than ten (10) days, immediately initiates steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

RIGHTS AND REMEDIES ON DEFAULT. Upon the occurrence of an Event of Default and at any time thereafter, Lender, at Lender's option, may exercise any one or more of the following rights and remedies, in addition to any other rights or remedies provided by law:

Accelerate Indebtedness. Lender shall have the right at its option without notice to Grantor to declare the entire Indebtedness immediately due and payable, including any prepayment penalty which Grantor would be required to pay.

UCC Remedies. With respect to all or any part of the Personal Property, Lender shall have all the rights and remedies of a secured party under the Uniform Commercial Code.

Collect Rents. Lender shall have the right, without notice to Grantor, to take possession of the Property and collect the Rents, including amounts past due and unpaid, and apply the net proceeds, over and above Lender's costs, against the Indebtedness. In furtherance of this right, Lender may require any tenant or other user of the Property to make payments of rent or use fees directly to Lender. If the Rents are collected by Lender, then Grantor irrevocably designates Lender as Grantor's attorney-in-fact to endorse instruments received in payment thereof in the name of Grantor and to negotiate the same and collect the proceeds. Payments by tenants or other users to Lender in response to Lender's demand shall satisfy the obligations for which the payments are made, whether or not any proper grounds for the demand existed. Lender may exercise its rights under this subparagraph either in person, by agent, or through a receiver.

Appoint Receiver. Lender shall have the right to have a receiver appointed to take possession of all or any part of the Property, with the power to protect and preserve the Property, to operate the Property preceding foreclosure or sale, and to collect the Rents from the Property and apply the proceeds, over and above the cost of the receivership, against the Indebtedness. The receiver may serve without bond if permitted by law. Lender's right to the appointment of a receiver shall exist whether or not the apparent value of the Property exceeds the Indebtedness by a substantial amount. Employment by Lender shall not disqualify a person from serving as a receiver.

Judicial Foreclosure. Lender may obtain a judicial decree foreclosing Grantor's interest in all or any part of the Property.

Nonjudicial Sale. If permitted by applicable law, Lender may foreclose Grantor's interest in all or in any part of the Personal Property or the Real Property by non-judicial sale.

Deficiency Judgment. If permitted by applicable law, Lender may obtain a judgment for any deficiency remaining in the Indebtedness due to Lender after application of all amounts received from the exercise of the rights provided in this section.

Tenancy at Sufferance. If Grantor remains in possession of the Property after the Property is sold as provided above or Lender otherwise becomes entitled to possession of the Property upon default of Grantor, Grantor shall become a tenant at sufferance of Lender or the purchaser of the Property and shall, at Lender's option, either (1) pay a reasonable rental for the use of the Property, or (2) vacate the Property immediately upon the demand of Lender.

Other Remedies. Lender shall have all other rights and remedies provided in this Mortgage or the Note or available at law or in equity.

Sale of the Property. To the extent permitted by applicable law, Grantor hereby waives any and all right to have the Property marshalled. In exercising its rights and remedies, Lender shall be free to sell all or any part of the Property together or separately, in one sale or by separate sales. Lender shall be entitled to bid at any public sale on all or any portion of the Property.

Notice of Sale. Lender shall give Grantor reasonable notice of the time and place of any public sale of the Personal Property or of the time after which any private sale or other intended disposition of the Personal Property is to be made. Reasonable notice shall mean notice given at least ten (10) days before the time of the sale or disposition. Any sale of the Personal Property may be made in conjunction with any sale of the Real Property.

Election of Remedies. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Grantor under this Mortgage, after Grantor's failure to perform, shall not affect Lender's right to declare a default and exercise its remedies. Nothing under this Mortgage or otherwise shall be construed so as to limit or restrict the rights and remedies available to Lender following an Event of Default, or in any way to limit or restrict the rights and ability of Lender to proceed directly against Grantor and/or against any other co-maker, guarantor, surety or endorser and/or to proceed against any other collateral directly or indirectly securing the Indebtedness.

Attorneys' Fees; Expenses. If Lender institutes any suit or action to enforce any of the terms of this Mortgage, Lender shall be entitled to recover such sum as the court may adjudge reasonable as attorneys' fees at trial and upon any appeal. Whether or not any court action is involved, and to the extent not prohibited by law, all reasonable expenses Lender incurs that in Lender's opinion are necessary at any time for the protection of its interest or the enforcement of its rights shall become a part of the Indebtedness payable on demand and shall bear interest at the Note rate from the date of the expenditure until repaid. Expenses covered by this paragraph include, without limitation, however subject to any limits under applicable law, Lender's reasonable attorneys' fees and Lender's legal expenses whether or not there is a lawsuit, including reasonable attorneys' fees and expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services, the cost of searching records, obtaining title reports (including foreclosure reports), surveyors' reports, and appraisal fees and title insurance, to the extent permitted by applicable law. Grantor also will pay any court costs, in addition to all other sums provided by law.

NOTICES. Any notice required to be given under this Mortgage, including without limitation any notice of default and any notice of sale shall be given in writing, and shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addresses shown near the beginning of this Mortgage. All copies of notices of foreclosure from the holder of any lien which has priority over this Mortgage shall be sent to Lender's address, as shown near the beginning of this Mortgage. Any party may change its address for notices under this Mortgage by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Grantor agrees to keep Lender informed at all times of Grantor's current address. Unless otherwise provided or required by law, if there is more than one Grantor, any notice given by Lender to any Grantor is deemed to be notice given to all Grantors.

LEGAL DE LEGAL EXHIBIT. An exhibit, titled "EXHIBIT "A", is attached to this Mortgage and by this reference is made a part of this Mortgage just as if all the provisions, terms and conditions of the Exhibit had been fully set forth in this Mortgage.

MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Mortgage:

Amendments. This Mortgage, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Mortgage. No alteration or amendment to this Mortgage shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

Annual Reports. If the Property is used for purposes other than Grantor's residence, Grantor shall furnish to Lender, upon request, a certified statement of net operating income received from the Property during Grantor's previous fiscal year in such form and detail as Lender shall require. "Net operating income" shall mean all cash receipts from the Property less all cash expenditures made in connection with the operation of the Property.

Caption Headings. Caption headings in this Mortgage are for convenience purposes only and are not to be used to interpret or define the provisions of this Mortgage.

Governing Law. This Mortgage will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Idaho without regard to its conflicts of law provisions. This Mortgage has been accepted by Lender in the State of

Idaho.

Choice of Venue. If there is a lawsuit, Grantor agrees upon Lender's request to submit to the jurisdiction of the courts of ADA County, State of Idaho.

No Waiver by Lender. Lender shall not be deemed to have waived any rights under this Mortgage unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Mortgage shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Mortgage. No prior waiver by Lender, nor any course of dealing between Lender and Grantor, shall constitute a waiver of any of Lender's rights or of any of Grantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Mortgage, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

Severability. If a court of competent jurisdiction finds any provision of this Mortgage to be illegal, invalid, or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid, or unenforceable as to any other circumstance. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Mortgage. Unless otherwise required by law, the illegality, invalidity, or unenforceability of any provision of this Mortgage shall not affect the legality, validity or enforceability of any other provision of this Mortgage.

Merger. There shall be no merger of the interest or estate created by this Mortgage with any other interest or estate in the Property at any time held by or for the benefit of Lender in any capacity, without the written consent of Lender.

Successors and Assigns. Subject to any limitations stated in this Mortgage on transfer of Grantor's interest, this Mortgage shall be binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Property becomes vested in a person other than Grantor, Lender, without notice to Grantor, may deal with Grantor's successors with reference to this Mortgage and the Indebtedness by way of forbearance or extension without releasing Grantor from the obligations of this Mortgage or liability under the Indebtedness.

Time is of the Essence. Time is of the essence in the performance of this Mortgage.

Waiver of Homestead Exemption. Grantor hereby releases and waives all rights and benefits of the homestead exemption laws of the State of Idaho as to all Indebtedness secured by this Mortgage.

DEFINITIONS. The following capitalized words and terms shall have the following meanings when used in this Mortgage. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Mortgage shall have the meanings attributed to such terms in the Uniform Commercial Code:

Borrower. The word "Borrower" means SOUTH COUNTY ESTATES, L.L.C. and includes all co-signers and co-makers signing the Note and all their successors and assigns.

Default. The word "Default" means the Default set forth in this Mortgage in the section titled "Default".

Environmental Laws. The words "Environmental Laws" mean any and all state, federal and local statutes, regulations and ordinances relating to the protection of human health or the environment, including without limitation the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq. ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99-499 ("SARA"), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., or other applicable state or federal laws, rules, or regulations adopted pursuant thereto.

Event of Default. The words "Event of Default" mean any of the events of default set forth in this Mortgage in the events of default section of this Mortgage.

Grantor. The word "Grantor" means SOUTH COUNTY ESTATES, L.L.C..

Guarantor. The word "Guarantor" means any guarantor, surety, or accommodation party of any or all of the Indebtedness.

Guaranty. The word "Guaranty" means the guaranty from Guarantor to Lender, including without limitation a guaranty of all or part of the Note.

Hazardous Substances. The words "Hazardous Substances" mean materials that, because of their quantity, concentration or physical, chemical or infectious characteristics, may cause or pose a present or potential hazard to human health or the environment when improperly used, treated, stored, disposed of, generated, manufactured, transported or otherwise handled. The words "Hazardous Substances" are used in their very broadest sense and include without limitation any and all hazardous or toxic substances, materials or waste as defined by or listed under the Environmental Laws. The term "Hazardous Substances" also includes, without limitation, petroleum and petroleum by-products or any fraction thereof and asbestos.

Improvements. The word "Improvements" means all existing and future improvements, buildings, structures, mobile homes affixed on the Real Property, facilities, additions, replacements and other construction on the Real Property.

Indebtedness. The word "Indebtedness" means all principal, interest, and other amounts, costs and expenses payable under the Note or Related Documents, together with all renewals of, extensions of, modifications of, consolidations of and substitutions for the Note or Related Documents and any amounts expended or advanced by Lender to discharge Grantor's obligations or expenses incurred by Lender to enforce Grantor's obligations under this Mortgage, together with interest on such amounts as provided in this Mortgage. Specifically, without limitation, Indebtedness includes all amounts that may be indirectly secured by the Cross-Collateralization provision of this Mortgage.

Lender. The word "Lender" means Mountain West Bank, its successors and assigns.

Mortgage. The word "Mortgage" means this Mortgage between Grantor and Lender.

Note. The word "Note" means the promissory note dated October 13, 2005, in the original principal amount of ~~\$2,000,000.00~~ from Grantor to Lender, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the promissory note or agreement. **NOTICE TO GRANTOR: THE NOTE CONTAINS A VARIABLE INTEREST RATE.**

Personal Property. The words "Personal Property" mean all equipment, fixtures, and other articles of personal property now or hereafter owned by Grantor, and now or hereafter attached or affixed to the Real Property; together with all accessions, parts, and additions to, all replacements of, and all substitutions for, any of such property; and together with all proceeds (including without limitation all insurance proceeds and refunds of premiums) from any sale or other disposition of the Property.

Property. The word "Property" means collectively the Real Property and the Personal Property.

Real Property. The words "Real Property" mean the real property, interests and rights, as further described in this Mortgage.

Related Documents. The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Indebtedness.

Rents. The word "Rents" means all present and future rents, revenues, income, issues, royalties, profits, and other benefits derived from the Property.

GRANTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS MORTGAGE, AND GRANTOR AGREES TO ITS TERMS.

GRANTOR:

SOUTH COUNTY ESTATES, L.L.C.

By:

JOHN SCHERER, MANAGING MEMBER of SOUTH
COUNTY ESTATES, L.L.C.

LIMITED LIABILITY COMPANY ACKNOWLEDGMENT

STATE OF IdahoCOUNTY OF Blaine

On this 13th day of October, in the year 2011, before me
the undersigned, a notary public in and for the State of Idaho, personally appeared JOHN SCHERER, MANAGING
MEMBER of SOUTH COUNTY ESTATES, L.L.C., known or identified to me (or proved to me on the oath of
(), to be one of the members or designated agents in the limited liability company of SOUTH COUNTY
ESTATES, L.L.C., and the member or designated agent or one of the members or designated agents who subscribed said limited liability
company name to the foregoing instrument, and acknowledged as representative of the executed the same in said limited liability company name.

Notary Public for Idaho

My commission expires 7-26-2011

A parcel of land in the SW $\frac{1}{4}$ and the SW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 6 and also in the E $\frac{1}{2}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ NE $\frac{1}{4}$, S $\frac{1}{2}$ NE $\frac{1}{4}$ and the N $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 7, more particularly described as follows:

COMMENCING at an iron pin marking the Northwest corner of the SW $\frac{1}{4}$, said Section 6, which point is also the REAL POINT OF BEGINNING;

Thence South 89°51'45" East, 2,608.44 feet along the Northerly boundary of said SW $\frac{1}{4}$, Section 6 to an iron pin marking the Northeast corner of said SW $\frac{1}{4}$, Section 6;

Thence South 0°35'18" East, 1,306.31 feet along the Easterly boundary of said SW $\frac{1}{4}$, Section 6 to an iron pin marking the Northwest corner of the SW $\frac{1}{4}$ SE $\frac{1}{4}$, said Section 6;

Thence South 89°42'45" East, 1,308.89 feet along the Northerly boundary of said SW $\frac{1}{4}$ SE $\frac{1}{4}$, Section 6 to an iron pin marking the Northeast corner of said SW $\frac{1}{4}$ SE $\frac{1}{4}$, Section 6;

Thence South 0°25'10" East, 1,309.70 feet along the Easterly boundary of said SW $\frac{1}{4}$ SE $\frac{1}{4}$, Section 6 to an iron pin marking the Southeast corner of said SW $\frac{1}{4}$ SE $\frac{1}{4}$, Section 6;

Thence South 0°17'54" East, 1,313.45 feet along the Easterly boundary of the NW $\frac{1}{4}$ NE $\frac{1}{4}$, said Section 7 to an iron pin marking the Southeast corner of said NW $\frac{1}{4}$ NE $\frac{1}{4}$, Section 7;

Thence South 89°47'36" East, 1,303.96 feet along the Northerly boundary of the SE $\frac{1}{4}$ NE $\frac{1}{4}$, Section 7 to an iron pin marking the Northeast corner of said SE $\frac{1}{4}$ NE $\frac{1}{4}$, Section 7;

Thence south 0°15'06" East, 1,308.14 feet along the Easterly boundary of said SE $\frac{1}{4}$ NE $\frac{1}{4}$, Section 7 to a brass cap marking the Southeast corner of said SE $\frac{1}{4}$ NE $\frac{1}{4}$, Section 7;

Thence South 0°45'30" East, 1,308.60 feet along the Easterly Boundary of the NE $\frac{1}{4}$ SE $\frac{1}{4}$, Section 7 to an iron pin marking the Southeast corner of said NE $\frac{1}{4}$ SE $\frac{1}{4}$, Section 7;

Thence South 89°50'53" West, 1,601.23 feet along the Southerly boundary of the N $\frac{1}{2}$ SE $\frac{1}{4}$, Section 7, to an iron pin on the intersection of the Southerly boundary with the Northeasterly boundary of the Union Pacific Railroad;

Thence North 31°10'34" West, 1,533.07 feet along said Northeasterly Railroad boundary to an iron pin on the intersection of said Railroad boundary with the Southerly boundary of the S $\frac{1}{2}$ NE $\frac{1}{4}$, said Section 7;

Thence South 89°58'26" West, 58.42 feet along said Railroad boundary and also along said Southerly boundary of the S $\frac{1}{2}$ NE $\frac{1}{4}$, Section 7 to an iron pin;

Thence North 31°10'34" West, 331.26 feet along said Railroad boundary to an iron pin on the intersection of said Railroad boundary with the Westerly boundary of said S $\frac{1}{2}$ NE $\frac{1}{4}$, Section 7;

Thence North 0°20'40" West, 97.56 feet along said Westerly boundary of the S $\frac{1}{2}$ NE $\frac{1}{4}$, Section 7 and also along said Railroad boundary to an iron pin;

Thence North 31°10'34" West, 2,570.24 feet along said Railroad boundary to an iron pin on the intersection of said Railroad boundary with the Westerly boundary of the NE $\frac{1}{4}$ NW $\frac{1}{4}$, Section 7;

Thence North 0°22'13" West, 58.00 feet along said Westerly boundary of the NE $\frac{1}{4}$ NW $\frac{1}{4}$, Section 7 to an iron pin marking the Northwest corner of said NE $\frac{1}{4}$ NW $\frac{1}{4}$, Section 7;

Thence North 89°58'18" West, 93.19 feet along the Southerly boundary of the Sw $\frac{1}{4}$, Section 6 to an iron pin on the Northeasterly boundary of the said Union Pacific Railroad;

Thence North 31°10'34" West, 2,353.23 feet along said Railroad boundary to an iron pin on the Westerly boundary of said SW $\frac{1}{4}$, Section 6;

Thence North 0°37'05" West, 604.70 feet along said Westerly boundary of the SW $\frac{1}{4}$, Section 6 to the TRUE POINT OF BEGINNING. (TL 7183)

RECORDATION REQUESTED BY:

Mountain West Bank
Southern Idaho Comm'l Loan Center
802 West Bannock St Suite 1100
Boise, ID 83702

WHEN RECORDED MAIL TO:

Mountain West Bank
Southern Idaho Comm'l Loan Center
802 West Bannock St Suite 1100
Boise, ID 83702

SEND TAX NOTICES TO:

SOUTH COUNTY ESTATES, L.L.C.
PO BOX 1539
KETCHUM, ID 83340

Instrument # 542378

HAILEY, BLAINE, IDAHO

2006-12-01

01:57:00 No. of Pages: 3

Recorded for : BLAINE COUNTY TITLE

MARSHA RIEMANN

Fee: 9.00

Ex-Officio Recorder Deputy

Index to: MODIFICATION/AMEND DEED OF TRUST

SPACE ABOVE THIS LINE IS FOR RECORDER'S USE ONLY

MODIFICATION OF MORTGAGE

THIS MODIFICATION OF MORTGAGE dated November 28, 2006, is made and executed between SOUTH COUNTY ESTATES, L.L.C., AN IDAHO LIMITED LIABILITY COMPANY, whose address is PO BOX 1539, KETCHUM, ID 83340 (referred to below as "Grantor") and Mountain West Bank, whose address is 802 West Bannock St Suite 1100, Boise, ID 83702 (referred to below as "Lender").

MORTGAGE. Lender and Grantor have entered into a Mortgage dated October 13, 2005 (the "Mortgage") which has been recorded in BLAINE County, State of Idaho, as follows:

RECORDED OCTOBER 14, 2005, AS INSTRUMENT NO. 527439, RECORDED IN BLAINE COUNTY, IDAHO.

REAL PROPERTY DESCRIPTION. The Mortgage covers the following described real property located in BLAINE County, State of Idaho:

See EXHIBIT "A", which is attached to this Modification and made a part of this Modification as if fully set forth herein.

The Real Property or its address is commonly known as 280 ACRES @ GANNETT RD, BELLEVUE, ID 83340. The Real Property tax identification number is RPO1N19006098CA.

MODIFICATION. Lender and Grantor hereby modify the Mortgage as follows:

MODIFY THE DEFINITION OF THE WORD "PROMISSORY NOTE" AS FOLLOWS:

NOTE: THE WORD "NOTE" MEANS THE PROMISSORY NOTE DATED NOVEMBER 28, 2006, IN THE ORIGINAL PRINCIPAL AMOUNT OF \$5,670,000.00 FROM GRANTOR TO LENDER, TOGETHER WITH ALL RENEWALS OF, EXTENSIONS OF, MODIFICATIONS OF, REFINANCINGS OF, CONSOLIDATIONS OF, AND SUBSTITUTIONS FOR THE PROMISSORY NOTE OR AGREEMENT. NOTICE TO GRANTOR: THE NOTE CONTAINS A VARIABLE INTEREST RATE.

CONTINUING VALIDITY. Except as expressly modified above, the terms of the original Mortgage shall remain unchanged and in full force and effect and are legally valid, binding, and enforceable in accordance with their respective terms. Consent by Lender to this Modification does not waive Lender's right to require strict performance of the Mortgage as changed above nor obligate Lender to make any future modifications. Nothing in this Modification shall constitute a satisfaction of the promissory note or other credit agreement secured by the Mortgage (the "Note"). It is the intention of Lender to retain as liable all parties to the Mortgage and all parties, makers and endorers to the Note, including accommodation parties, unless a party is expressly released by Lender in writing. Any maker or endorser, including accommodation makers, shall not be released by virtue of this Modification. If any person who signed the original Mortgage does not sign this Modification, then all persons signing below acknowledge that this Modification is given conditionally, based on the representation to Lender that the non-signing person consents to the changes and provisions of this Modification or otherwise will not be released by it. This waiver applies not only to any initial extension or modification, but also to all such subsequent actions.

LEGAL DE LEGAL EXHIBIT. An exhibit, titled "EXHIBIT A", is attached to this Modification and by this reference is made a part of this Modification just as if all the provisions, terms and conditions of the Exhibit had been fully set forth in this Modification.

GRANTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS MODIFICATION OF MORTGAGE AND GRANTOR AGREES TO ITS TERMS. THIS MODIFICATION OF MORTGAGE IS DATED NOVEMBER 28, 2006.

GRANTOR:

SOUTH COUNTY ESTATES, L.L.C.

By: John Scherer
JOHN SCHERER, MANAGING MEMBER OF SOUTH
COUNTY ESTATES, L.L.C.

LENDER:

MOUNTAIN WEST BANK

x Dale Chaney
Authorized Signer



Sent to CH
12/15/06

EXHIBIT "A"

This EXHIBIT "A" is attached to and by this reference is made a part of the Modification of Mortgage, dated November 28, 2006, and execute in connection with a loan or other financial accommodations between MOUNTAIN WEST BANK and SOUTH COUNTY ESTATES, L.L.C.

LEGAL DESCRIPTION

TOWNSHIP 1 NORTH, RANGE 19 EAST, BOISE MERIDIAN, BLAINE COUNTY IDAHO

A parcel of land in the SW $\frac{1}{4}$ and the SW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 6 and also in the E $\frac{1}{2}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ NE $\frac{1}{4}$, S $\frac{1}{2}$ NE $\frac{1}{4}$ and the N $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 7, more particularly described as follows:

COMMENCING at an iron pin marking the Northwest corner of the SW $\frac{1}{4}$, said Section 6, which point is also the REAL POINT OF BEGINNING;
 Thence South 89°51'45" East, 2,608.44 feet along the Northerly boundary of said SW $\frac{1}{4}$, Section 6 to an iron pin marking the Northeast corner of said SW $\frac{1}{4}$, Section 6;
 Thence South 0°35'18" East, 1,306.31 feet along the Easterly boundary of said SW $\frac{1}{4}$, Section 6 to an iron pin marking the Northwest corner of the SW $\frac{1}{4}$ SE $\frac{1}{4}$, said Section 6;
 Thence South 89°42'45" East, 1,308.89 feet along the Northerly boundary of said SW $\frac{1}{4}$ SE $\frac{1}{4}$, Section 6 to an iron pin marking the Northeast corner of said SW $\frac{1}{4}$ SE $\frac{1}{4}$, Section 6;
 Thence South 0°25'10" East, 1,309.70 feet along the Easterly boundary of said SW $\frac{1}{4}$ SE $\frac{1}{4}$, Section 6 to an iron pin marking the Southeast corner of said SW $\frac{1}{4}$ SE $\frac{1}{4}$, Section 6;
 Thence South 0°17'54" East, 1,313.45 feet along the Easterly boundary of the NW $\frac{1}{4}$ NE $\frac{1}{4}$, said Section 7 to an iron pin marking the Southeast corner of said NW $\frac{1}{4}$ NE $\frac{1}{4}$, Section 7;
 Thence South 89°47'36" East, 1,303.96 feet along the Northerly boundary of the SE $\frac{1}{4}$ NE $\frac{1}{4}$, Section 7 to an iron pin marking the Northeast corner of said SE $\frac{1}{4}$ NE $\frac{1}{4}$, Section 7;
 Thence south 0°15'06" East, 1,308.14 feet along the Easterly boundary of said SE $\frac{1}{4}$ NE $\frac{1}{4}$, Section 7 to a brass cap marking the Southeast corner of said SE $\frac{1}{4}$ NE $\frac{1}{4}$, Section 7,
 Thence South 0°45'30" East, 1,308.60 feet along the Easterly Boundary of the NE $\frac{1}{4}$ SE $\frac{1}{4}$, Section 7 to an iron pin marking the Southeast corner of said NE $\frac{1}{4}$ SE $\frac{1}{4}$, Section 7;
 Thence South 89°50'53" West, 1,601.23 feet along the Southerly boundary of the N $\frac{1}{4}$ SE $\frac{1}{4}$, Section 7, to an iron pin on the intersection of the Southerly boundary with the Northeasterly boundary of the Union Pacific Railroad;
 Thence North 31°10'34" West, 1,533.07 feet along said Northeasterly Railroad boundary to an iron pin on the intersection of said Railroad boundary with the Southerly boundary of the S $\frac{1}{2}$ NE $\frac{1}{4}$, said Section 7;
 Thence South 89°58'26" West, 58.42 feet along said Railroad boundary and also along said Southerly boundary of the S $\frac{1}{2}$ NE $\frac{1}{4}$, Section 7 to an iron pin,
 Thence North 31°10'34" West, 331.26 feet along said Railroad boundary to an iron pin on the intersection of said Railroad boundary with the Westerly boundary of said S $\frac{1}{2}$ NE $\frac{1}{4}$, Section 7;
 Thence North 0°20'40" West, 97.56 feet along said Westerly boundary of the S $\frac{1}{2}$ NE $\frac{1}{4}$, Section 7 and also along said Railroad boundary to an iron pin;
 Thence North 31°10'34" West, 2,570.24 feet along said Railroad boundary to an iron pin on the intersection of said Railroad boundary with the Westerly boundary of the NE $\frac{1}{4}$ NW $\frac{1}{4}$, Section 7;
 Thence North 0°22'13" West, 58.00 feet along said Westerly boundary of the NE $\frac{1}{4}$ NW $\frac{1}{4}$, Section 7 to an iron pin marking the Northwest corner of said NE $\frac{1}{4}$ NW $\frac{1}{4}$, Section 7;
 Thence North 89°58'18" West, 93.19 feet along the Southerly boundary of the Sw $\frac{1}{4}$, Section 6 to an iron pin on the Northeasterly boundary of the said Union Pacific Railroad;
 Thence North 31°10'34" West, 2,353.23 feet along said Railroad boundary to an iron pin on the Westerly boundary of said SW $\frac{1}{4}$, Section 6,
 Thence North 0°37'05" West, 604.70 feet along said Westerly boundary of the SW $\frac{1}{4}$, Section 6 to the TRUE POINT OF BEGINNING. (TL 7183)

THIS EXHIBIT "A" IS EXECUTED ON NOVEMBER 28, 2006.

GRANTOR:

SOUTH COUNTY ESTATES, L.L.C.

By: JOHN SCHEER, MANAGING MEMBER of SOUTH COUNTY ESTATES, L.L.C.

LENDER:

MOUNTAIN WEST BANK

x Authorized Signer

RECEIVED

JUN 13 2008

RECORDATION REQUESTED BY:

Mountain West Bank
Southern Idaho Comm'l Loan Center
802 West Bannock St Suite 1100
Boise, ID 83702

ZND Lien

WATER RESOURCES
WESTERN REGION

WHEN RECORDED MAIL TO:

Mountain West Bank
Southern Idaho Comm'l Loan Center
802 West Bannock St Suite 1100
Boise, ID 83702

SEND TAX NOTICES TO:

SOUTH COUNTY ESTATES, L.L.C.
PO BOX 1539
KETCHUM, ID 83340

SPACE ABOVE THIS LINE IS FOR RECORDER'S USE ONLY

MORTGAGE

THIS MORTGAGE dated June 13, 2008, is made and executed between SOUTH COUNTY ESTATES, L.L.C., AN IDAHO LIMITED LIABILITY COMPANY, whose address is 124 DEER VALLEY LN, HAILEY, ID 83333 (referred to below as "Grantor") and Mountain West Bank, whose address is 802 West Bannock St Suite 1100, Boise, ID 83702 (referred to below as "Lender"),

GRANT OF MORTGAGE. For valuable consideration, Grantor mortgages, grants, bargains, sells and conveys to Lender all of Grantor's right, title, and interest in and to the following described real property, together with all existing or subsequently erected or affixed buildings, improvements and fixtures; all easements, rights of way, and appurtenances; all water, water rights, watercourses and ditch rights (including stock in utilities with ditch or irrigation rights); and all other rights, royalties, and profits relating to the real property, including without limitation all minerals, oil, gas, geothermal and similar matters, (the "Real Property") located in BLAINE County, State of Idaho:

See EXHIBIT A, which is attached to this Mortgage and made a part of this Mortgage as if fully set forth herein.

The Real Property or its address is commonly known as 280 ACRES @ GANNETT RD, BELLEVUE, ID 83340. The Real Property tax identification number is Q1N190060980.

CROSS-COLLATERALIZATION. In addition to the Note, this Mortgage secures all obligations, debts and liabilities, plus interest thereon, of Grantor to Lender, or any one or more of them, as well as all claims by Lender against Grantor or any one or more of them, whether now existing or hereafter arising, whether related or unrelated to the purpose of the Note, whether voluntary or otherwise, whether due or not due, direct or indirect, determined or undetermined, absolute or contingent, liquidated or unliquidated, whether Grantor may be liable individually or jointly with others, whether obligated as guarantor, surety, accommodation party or otherwise, and whether recovery upon such amounts may be or hereafter may become barred by any statute of limitations, and whether the obligation to repay such amounts may be or hereafter may become otherwise unenforceable.

Grantor presently assigns to Lender all of Grantor's right, title, and interest in and to all present and future leases of the Property and all Rents from the Property. In addition, Grantor grants to Lender a Uniform Commercial Code security interest in the Personal Property and Rents.

THIS MORTGAGE, INCLUDING THE ASSIGNMENT OF RENTS AND THE SECURITY INTEREST IN THE RENTS AND PERSONAL PROPERTY, IS GIVEN TO SECURE (A) PAYMENT OF THE INDEBTEDNESS AND (B) PERFORMANCE OF ANY AND ALL OBLIGATIONS UNDER THE NOTE, THE RELATED DOCUMENTS, AND THIS MORTGAGE. THIS MORTGAGE IS GIVEN AND ACCEPTED ON THE FOLLOWING TERMS:

PAYMENT AND PERFORMANCE. Except as otherwise provided in this Mortgage, Grantor shall pay to Lender all amounts secured by this Mortgage as they become due and shall strictly perform all of Grantor's obligations under this Mortgage.

POSSESSION AND MAINTENANCE OF THE PROPERTY. Grantor agrees that Grantor's possession and use of the Property shall be governed by the following provisions:

Possession and Use. Until the occurrence of an Event of Default, Grantor may (1) remain in possession and control of the Property; (2) use, operate or manage the Property; and (3) collect the Rents from the Property. The following provisions relate to the use of the Property or to other limitations on the Property.

Duty to Maintain. Grantor shall maintain the Property in tenable condition and promptly perform all repairs, replacements, and maintenance necessary to preserve its value.

Compliance With Environmental Laws. Grantor represents and warrants to Lender that: (1) During the period of Grantor's ownership of the Property, there has been no use, generation, manufacture, storage, treatment, disposal, release or threatened release of any Hazardous Substance by any person on, under, about or from the Property; (2) Grantor has no knowledge of, or reason to believe that there has been, except as previously disclosed to and acknowledged by Lender in writing, (a) any breach or violation of any Environmental Law, (b) any use, generation, manufacture, storage, treatment, disposal, release or threatened release of any Hazardous Substance on, under, about or from the Property by any prior owners or occupants of the Property, or (c) any actual or threatened litigation or claims of any kind by any person relating to such matters; and (3) Except as previously disclosed to and acknowledged by Lender in writing, (a) neither Grantor nor any tenant, contractor, agent or other authorized user of the Property shall use, generate, manufacture, store, treat, dispose of or release any Hazardous Substance on, under, about or from the Property; and (b) any such activity shall be conducted in compliance with all applicable federal, state, and local laws, regulations and ordinances, including without limitation all Environmental Laws. Grantor authorizes Lender and its agents to enter upon the Property to make such inspections and tests, at Grantor's expense, as Lender may deem appropriate to determine compliance of the Property with this section of the Mortgage. Any inspections or tests made by Lender shall be for Lender's purposes only and shall not be construed to create any responsibility or liability on the part of Lender to Grantor or to any other person. The representations and warranties contained herein are based on Grantor's due diligence in investigating the Property for Hazardous Substances. Grantor hereby (1) releases and waives any future claims against Lender for indemnity or contribution in the event Grantor becomes liable for cleanup or other costs under any such laws; and (2) agrees to indemnify, defend, and hold harmless Lender against any and all claims, losses, liabilities, damages, penalties, and expenses which Lender may directly or indirectly sustain or suffer resulting from a breach of this section of the Mortgage or as a consequence of any use, generation, manufacture, storage, disposal, release or threatened release occurring prior to Grantor's ownership or interest in the Property, whether or not the same was or should have been known to Grantor. The provisions of this section of the Mortgage, including the obligation to indemnify and defend, shall survive the payment of the indebtedness and the satisfaction and reconveyance of the lien of this Mortgage and shall not be affected by Lender's acquisition of any interest in the Property, whether by foreclosure or otherwise.

Nuisance, Waste. Grantor shall not cause, conduct or permit any nuisance nor commit, permit, or suffer any stripping of or waste on or to the Property or any portion of the Property. Without limiting the generality of the foregoing, Grantor will not remove, or grant to any other party the right to remove, any timber, minerals (including oil and gas), coal, clay, scoria, soil, gravel or rock products without Lender's prior written consent.

Removal of Improvements. Grantor shall not demolish or remove any improvements from the Real Property without Lender's prior written consent. As a condition to the removal of any improvements, Lender may require Grantor to make arrangements satisfactory to Lender to replace such improvements with improvements of at least equal value.

Lender's Right to Enter. Lender and Lender's agents and representatives may enter upon the Real Property at all reasonable times to attend to Lender's interests and to inspect the Real Property for purposes of Grantor's compliance with the terms and conditions of this Mortgage.

Compliance With Governmental Regulations. Grantor shall promptly comply with all laws, ordinances, and regulations, now or hereafter in effect, of all governmental authorities applicable to the use or occupancy of the Property, including without limitation, the Americans With Disabilities Act. Grantor may contest in good faith any such law, ordinance, or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Grantor has notified Lender in writing prior to doing so and so long as, in Lender's sole opinion, Lender's interests in the Property are not jeopardized. Lender may require Grantor to post adequate security or a surety bond, reasonably satisfactory to Lender, to protect Lender's interest.

Duty to Protect. Grantor agrees neither to abandon or leave unattended the Property. Grantor shall do all other acts, in addition to those set forth above in this section, which from the character and use of the Property are reasonably necessary to protect and preserve the Property.

DUE ON SALE - CONSENT BY LENDER. Lender may, at Lender's option, declare immediately due and payable all sums secured by this Mortgage upon the sale or transfer, without Lender's prior written consent, of all or any part of the Real Property, or any interest in the Real Property. A "sale or transfer" means the conveyance of Real Property or any right, title or interest in the Real Property; whether legal, beneficial or equitable; whether voluntary or involuntary; whether by outright sale, deed, installment sale contract, land contract, contract for deed, leasehold interest with a term greater than three (3) years, lease-option contract, or by sale, assignment, or transfer of any beneficial interest in or to any land trust holding title to the Real Property, or by any other method of conveyance of an interest in the Real Property. If any Grantor is a corporation, partnership or limited liability company, transfer also includes any change in ownership of more than twenty-five percent (25%) of the voting stock, partnership interests or limited liability company interests, as the case may be, of such Grantor. However, this option shall not be exercised by Lender if such exercise is prohibited by federal law or by Idaho law.

TAXES AND LIENS. The following provisions relating to the taxes and liens on the Property are part of this Mortgage:

Payment. Grantor shall pay when due (and in all events prior to delinquency) all taxes, payroll taxes, special taxes, assessments, water charges and sewer service charges levied against or on account of the Property, and shall pay when due all claims for work done on or for services rendered or material furnished to the Property. Grantor shall maintain the Property free of any liens having priority over or equal to the interest of Lender under this Mortgage, except for the Existing Indebtedness referred to in this Mortgage or those liens specifically agreed to in writing by Lender, and except for the lien of taxes and assessments not due as further specified in the Right to Contest paragraph.

Right to Contest. Grantor may withhold payment of any tax, assessment, or claim in connection with a good faith dispute over the obligation to pay, so long as Lender's interest in the Property is not jeopardized. If a lien arises or is filed as a result of nonpayment, Grantor shall within fifteen (15) days after the lien arises or, if a lien is filed, within fifteen (15) days after Grantor has notice of the filing, secure the discharge of the lien, or if requested by Lender, deposit with Lender cash or a sufficient corporate surety bond or other security satisfactory to Lender in an amount sufficient to discharge the lien plus any costs and reasonable attorneys' fees, or other charges that could accrue as a result of a foreclosure or sale under the lien. In any contest, Grantor shall defend itself and Lender and shall satisfy any adverse judgment before enforcement against the Property. Grantor shall name Lender as an additional obligee under any surety bond furnished in the contest proceedings.

Evidence of Payment. Grantor shall upon demand furnish to Lender satisfactory evidence of payment of the taxes or assessments and shall authorize the appropriate governmental official to deliver to Lender at any time a written statement of the taxes and assessments against the Property.

Notice of Construction. Grantor shall notify Lender at least fifteen (15) days before any work is commenced, any services are furnished, or any materials are supplied to the Property, if any mechanic's lien, materialmen's lien, or other lien could be asserted on account of the work, services, or materials. Grantor will upon request of Lender furnish to Lender advance assurances satisfactory to Lender that Grantor can and will pay the cost of such improvements.

PROPERTY DAMAGE INSURANCE. The following provisions relating to insuring the Property are a part of this Mortgage:

Maintenance of Insurance. Grantor shall procure and maintain policies of fire insurance with standard extended coverage endorsements on a replacement basis for the full insurable value covering all improvements on the Real Property in an amount sufficient to avoid application of any coinsurance clause, and with a standard mortgagee clause in favor of Lender. Grantor shall also procure and maintain comprehensive general liability insurance in such coverage amounts as Lender may request with Lender being named as additional insured in such liability insurance policies. Additionally, Grantor shall maintain such other insurance, including but not limited to hazard, business interruption and boiler insurance as Lender may require. Policies shall be written by such insurance companies and in such form as may be reasonably acceptable to Lender. Grantor shall deliver to Lender certificates of coverage from each insurer containing a stipulation that coverage will not be cancelled or diminished without a minimum of thirty (30) days' prior written notice to Lender and not containing any disclaimer of the insurer's liability for failure to give such notice. Each insurance policy also shall include an endorsement providing that coverage in favor of Lender will not be impaired in any way by any act, omission or default of Grantor or any other person. Should the Real Property be located in an area designated by the Director of the Federal Emergency Management Agency as a special flood hazard area, Grantor agrees to obtain and maintain Federal Flood Insurance, if available, within 45 days after notice is given by Lender that the Property is located in a special flood hazard area, for the full unpaid principal balance of the loan and any prior liens on the property securing the loan, up to the maximum policy limits set under the National Flood Insurance Program, or as otherwise required by Lender, and to maintain such insurance for the term of the loan.

Application of Proceeds. Grantor shall promptly notify Lender of any loss or damage to the Property. Lender may make proof of loss if Grantor fails to do so within fifteen (15) days of the casualty. Whether or not Lender's security is impaired, Lender may, at Lender's election, receive and retain the proceeds of any insurance and apply the proceeds to the reduction of the Indebtedness, payment of any lien affecting the Property, or the restoration and repair of the Property. If Lender elects to apply the proceeds to the Indebtedness, payment of any lien affecting the Property, or the restoration and repair of the Property, Lender shall, upon satisfactory proof of such expenditure, pay or reimburse Grantor from the proceeds for the reasonable cost of repair or restoration if Grantor is not in default under this Mortgage. Any proceeds which have not been disbursed within 180 days after their receipt and which Lender has not committed to the repair or restoration of the Property shall be used first to pay any amount owing to Lender under this Mortgage, then to pay accrued interest, and the remainder, if any, shall be applied to the principal balance of the Indebtedness. If Lender holds any proceeds after payment in full of the Indebtedness, such proceeds shall be paid to Grantor as Grantor's interests may appear.

Compliance with Existing Indebtedness. During the period in which any Existing Indebtedness described below is in effect, compliance with the insurance provisions contained in the instrument evidencing such Existing Indebtedness shall constitute compliance with the insurance provisions under this Mortgage, to the extent compliance with the terms of this Mortgage would constitute a duplication of insurance requirement. If any proceeds from the insurance become payable on loss, the provisions in this Mortgage for division of proceeds shall apply only to that portion of the proceeds not payable to the holder of the Existing Indebtedness.

Grantor's Report on Insurance. Upon request of Lender, however not more than once a year, Grantor shall furnish to Lender a report on each existing policy of insurance showing: (1) the name of the insurer; (2) the risks insured; (3) the amount of the policy; (4) the property insured, the then current replacement value of such property, and the manner of determining that value; and (5) the expiration date of the policy. Grantor shall, upon request of Lender, have an independent appraiser satisfactory to Lender determine the cash value replacement cost of the Property.

LENDER'S EXPENDITURES. If any action or proceeding is commenced that would materially affect Lender's interest in the Property or if Grantor fails to comply with any provision of this Mortgage or any Related Documents, including but not limited to Grantor's failure to comply with any obligation to maintain Existing Indebtedness in good standing as required below, or to discharge or pay when due any amounts Grantor is required to discharge or pay under this Mortgage or any Related Documents, Lender on Grantor's behalf may (but shall not be obligated to) take any action that Lender deems appropriate, including but not limited to discharging or paying all taxes, liens, security interests, encumbrances and other claims, at any time levied or placed on the Property and paying all costs for insuring, maintaining and preserving the Property. All such expenditures incurred or paid by Lender for such purposes will then bear interest at the rate charged under the Note from the date incurred or paid by Lender to the date of repayment by Grantor. All such expenses will become a part of the Indebtedness and, at Lender's option, will (A) be payable on demand; (B) be added to the balance of the Note and be apportioned among and be payable with any installment payments to become due during either (1) the term of any applicable insurance policy; or (2) the remaining term of the Note; or (C) be treated as a balloon payment which will be due and payable at the Note's maturity. The Mortgage also will secure payment of these amounts. Such right shall be in addition to all other rights and remedies to which Lender may be entitled upon Default.

WARRANTY; DEFENSE OF TITLE. The following provisions relating to ownership of the Property are a part of this Mortgage:

Title. Grantor warrants that: (a) Grantor holds good and marketable title of record to the Property in fee simple, free and clear of all liens and encumbrances other than those set forth in the Real Property description or in the Existing Indebtedness section below or in any title insurance policy, title report, or final title opinion issued in favor of, and accepted by, Lender in connection with this Mortgage; and (b) Grantor has the full right, power, and authority to execute and deliver this Mortgage to Lender.

Defense of Title. Subject to the exception in the paragraph above, Grantor warrants and will forever defend the title to the Property against the lawful claims of all persons. In the event any action or proceeding is commenced that questions Grantor's title or the interest of Lender under this Mortgage, Grantor shall defend the action at Grantor's expense. Grantor may be the nominal party in such proceeding, but Lender shall be entitled to participate in the proceeding and to be represented in the proceeding by counsel of Lender's own choice, and

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(Continued)**

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Grantor will deliver, or cause to be delivered, to Lender such instruments as Lender may request from time to time to permit such participation.

Compliance With Laws. Grantor warrants that the Property and Grantor's use of the Property complies with all existing applicable laws, ordinances, and regulations of governmental authorities.

Survival of Representations and Warranties. All representations, warranties, and agreements made by Grantor in this Mortgage shall survive the execution and delivery of this Mortgage, shall be continuing in nature, and shall remain in full force and effect until such time as Grantor's indebtedness shall be paid in full.

EXISTING INDEBTEDNESS. The following provisions concerning Existing Indebtedness are a part of this Mortgage:

Existing Lien. The lien of this Mortgage securing the Indebtedness may be secondary and inferior to the lien securing payment of an existing obligation to MOUNTAIN WEST BANK. The existing obligation has a current principal balance of approximately \$5,688,876.00 and is in the original principal amount of \$8,670,000.00. Grantor expressly covenants and agrees to pay, or see to the payment of, the Existing Indebtedness and to prevent any default on such Indebtedness, any default under the instruments evidencing such Indebtedness, or any default under any security documents for such Indebtedness.

No Modification. Grantor shall not enter into any agreement with the holder of any mortgage, deed of trust, or other security agreement which has priority over this Mortgage by which that agreement is modified, amended, extended, or renewed without the prior written consent of Lender. Grantor shall neither request nor accept any future advances under any such security agreement without the prior written consent of Lender.

CONDEMNATION. The following provisions relating to condemnation proceedings are a part of this Mortgage:

Proceedings. If any proceeding in condemnation is filed, Grantor shall promptly notify Lender in writing, and Grantor shall promptly take such steps as may be necessary to defend the action and obtain the award. Grantor may be the nominal party in such proceedings, but Lender shall be entitled to participate in the proceeding and to be represented in the proceeding by counsel of its own choice, and Grantor will deliver or cause to be delivered to Lender such instruments and documentation as may be requested by Lender from time to time to permit such participation.

Application of Net Proceeds. If all or any part of the Property is condemned by eminent domain proceedings or by any proceeding or purchase in lieu of condemnation, Lender may at its election require that all or any portion of the net proceeds of the award be applied to the Indebtedness or the repair or restoration of the Property. The net proceeds of the award shall mean the award after payment of all reasonable costs, expenses, and attorneys' fees incurred by Lender in connection with the condemnation.

IMPOSITION OF TAXES, FEES AND CHARGES BY GOVERNMENTAL AUTHORITIES. The following provisions relating to governmental taxes, fees and charges are a part of this Mortgage:

Current Taxes, Fees and Charges. Upon request by Lender, Grantor shall execute such documents in addition to this Mortgage and take whatever other action is requested by Lender to perfect and continue Lender's lien on the Real Property. Grantor shall reimburse Lender for all taxes, as described below, together with all expenses incurred in recording, perfecting or continuing this Mortgage, including without limitation all taxes, fees, documentary stamps, and other charges for recording or registering this Mortgage.

Taxes. The following shall constitute taxes to which this section applies: (1) a specific tax upon this type of Mortgage or upon all or any part of the Indebtedness secured by this Mortgage; (2) a specific tax on Grantor which Grantor is authorized or required to deduct from payments on the Indebtedness secured by this type of Mortgage; (3) a tax on this type of Mortgage chargeable against the Lender or the holder of the Note; and (4) a specific tax on all or any portion of the Indebtedness or on payments of principal and interest made by Grantor.

Subsequent Taxes. If any tax to which this section applies is enacted subsequent to the date of this Mortgage, this event shall have the same effect as an Event of Default, and Lender may exercise any or all of its available remedies for an Event of Default as provided below unless Grantor either (1) pays the tax before it becomes delinquent, or (2) contests the tax as provided above in the Taxes and Liens section and deposits with Lender cash or a sufficient corporate surety bond or other security satisfactory to Lender.

SECURITY AGREEMENT; FINANCING STATEMENTS. The following provisions relating to this Mortgage as a security agreement are a part of this Mortgage:

Security Agreement. This instrument shall constitute a Security Agreement to the extent any of the Property constitutes fixtures, and Lender shall have all of the rights of a secured party under the Uniform Commercial Code as amended from time to time.

Security Interest. Upon request by Lender, Grantor shall take whatever action is requested by Lender to perfect and continue Lender's security interest in the Real and Personal Property. In addition to recording this Mortgage in the real property records, Lender may, at any time and without further authorization from Grantor, file executed counterparts, copies or reproductions of this Mortgage as a financing statement. Grantor shall reimburse Lender for all expenses incurred in perfecting or continuing this security interest. Upon default, Grantor shall not remove, sever or detach this Personal Property from the Property. Upon default, Grantor shall assemble any Personal Property not affixed to the Property in a manner and at a place reasonably convenient to Grantor and Lender and make it available to Lender within three (3) days after receipt of written demand from Lender to the extent permitted by applicable law.

Addresses. The mailing addresses of Grantor (debtor) and Lender (secured party) from which information concerning the security interest granted by this Mortgage may be obtained (each as required by the Uniform Commercial Code) are as stated on the first page of this Mortgage.

FURTHER ASSURANCES; ATTORNEY-IN-FACT. The following provisions relating to further assurances and attorney-in-fact are a part of this Mortgage:

Further Assurances. At any time, and from time to time, upon request of Lender, Grantor will make, execute and deliver, or will cause to be made, executed or delivered, to Lender or to Lender's designee, and when requested by Lender, cause to be filed, recorded, refiled, or re-recorded, as the case may be, at such times and in such offices and places as Lender may deem appropriate, any and all such mortgages, deeds of trust, security deeds, security agreements, financing statements, continuation statements, instruments of further assurance, certificates, and other documents as may, in the sole opinion of Lender, be necessary or desirable in order to effectuate, complete, perfect, continue, or preserve (1) Grantor's obligations under the Note, this Mortgage, and the Related Documents, and (2) the liens and security interests created by this Mortgage on the Property, whether now owned or hereafter acquired by Grantor. Unless prohibited by law or Lender agrees to the contrary in writing, Grantor shall reimburse Lender for all costs and expenses incurred in connection with the matters referred to in this paragraph.

Attorney-in-Fact. If Grantor fails to do any of the things referred to in the preceding paragraph, Lender may do so for and in the name of Grantor and at Grantor's expense. For such purposes, Grantor hereby irrevocably appoints Lender as Grantor's attorney-in-fact for the purpose of making, executing, delivering, filing, recording, and doing all other things as may be necessary or desirable, in Lender's sole opinion, to accomplish the matters referred to in the preceding paragraph.

PARTIAL RELEASES. Lender shall execute partial releases of the lien of this Mortgage upon the following conditions:

100% OF NET PROCEEDS FROM SALE OF WATER RIGHTS TO BE APPLIED TO THE LOAN BALANCE.

FULL PERFORMANCE. If Grantor pays all the Indebtedness when due, and otherwise performs all the obligations imposed upon Grantor under this Mortgage, Lender shall execute and deliver to Grantor a suitable satisfaction of this Mortgage and suitable statements of termination of any financing statement on file evidencing Lender's security interest in the Real and the Personal Property. Grantor will pay, if permitted by applicable law, any reasonable termination fee as determined by Lender from time to time.

EVENTS OF DEFAULT. Each of the following, at Lender's option, shall constitute an Event of Default under this Mortgage:

Payment Default. Grantor fails to make any payment when due under the Indebtedness.

Default on Other Payments. Failure of Grantor within the time required by this Mortgage to make any payment for taxes or insurance, or any other payment necessary to prevent filing of or to effect discharge of any lien.

Other Defaults. Grantor fails to comply with or to perform any other term, obligation, covenant or condition contained in this Mortgage or in any of the Related Documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Grantor.

False Statements. Any warranty, representation or statement made or furnished to Lender by Grantor or on Grantor's behalf under this

Mortgage or the Related Documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Defective Collateralization. This Mortgage or any of the Related Documents ceases to be in full force and effect (including failure of any collateral document to create a valid and perfected security interest or lien) at any time and for any reason.

Death or Insolvency. The dissolution of Grantor's (regardless of whether election to continue is made), any member withdraws from the limited liability company, or any other termination of Grantor's existence as a going business or the death of any member, the insolvency of Grantor, the appointment of a receiver for any part of Grantor's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Grantor.

Creditor or Foreclosure Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Grantor or by any governmental agency against any property securing the Indebtedness. This includes a garnishment of any of Grantor's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Grantor as to the validity or reasonableness of the claim which is the basis of the creditor or foreclosure proceeding and if Grantor gives Lender written notice of the creditor or foreclosure proceeding and deposits with Lender monies or a surety bond for the creditor or foreclosure proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Existing Indebtedness. The payment of any installment of principal or any interest on the Existing Indebtedness is not made within the time required by the promissory note evidencing such Indebtedness, or a default occurs under the instrument securing such Indebtedness and is not cured during any applicable grace period in such instrument, or any suit or other action is commenced to foreclose any existing lien on the Property.

Breach of Other Agreement. Any breach by Grantor under the terms of any other agreement between Grantor and Lender that is not remedied within any grace period provided therein, including without limitation any agreement concerning any Indebtedness or other obligation of Grantor to Lender, whether existing now or later.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any Guarantor of any of the Indebtedness or any Guarantor dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any Guaranty of the Indebtedness.

Adverse Change. A material adverse change occurs in Grantor's financial condition, or Lender believes the prospect of payment or performance of the Indebtedness is impaired.

Insolvency. Lender in good faith believes itself insecure.

Right to Cure. If any default, other than a default in payment is curable and if Grantor has not been given a notice of a breach of the same provision of this Mortgage within the preceding twelve (12) months, it may be cured if Grantor, after receiving written notice from Lender demanding cure of such default: (1) cures the default within ten (10) days; or (2) if the cure requires more than ten (10) days, immediately initiates steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

RIGHTS AND REMEDIES ON DEFAULT. Upon the occurrence of an Event of Default and at any time thereafter, Lender, at Lender's option, may exercise any one or more of the following rights and remedies, in addition to any other rights or remedies provided by law:

Accelerate Indebtedness. Lender shall have the right at its option without notice to Grantor to declare the entire Indebtedness immediately due and payable, including any prepayment penalty that Grantor would be required to pay.

UCC Remedies. With respect to all or any part of the Personal Property, Lender shall have all the rights and remedies of a secured party under the Uniform Commercial Code.

Collect Rents. Lender shall have the right, without notice to Grantor, to take possession of the Property and collect the Rents, including amounts past due and unpaid, and apply the net proceeds, over and above Lender's costs, against the Indebtedness. In furtherance of this right, Lender may require any tenant or other user of the Property to make payments of rent or use fees directly to Lender. If the Rents are collected by Lender, then Grantor irrevocably designates Lender as Grantor's attorney-in-fact to endorse instruments received in payment thereof in the name of Grantor and to negotiate the same and collect the proceeds. Payments by tenants or other users to Lender in response to Lender's demand shall satisfy the obligations for which the payments are made, whether or not any proper grounds for the demand existed. Lender may exercise its rights under this subparagraph either in person, by agent, or through a receiver.

Appoint Receiver. Lender shall have the right to have a receiver appointed to take possession of all or any part of the Property, with the power to protect and preserve the Property, to operate the Property preceding foreclosure or sale, and to collect the Rents from the Property and apply the proceeds, over and above the cost of the receivership, against the Indebtedness. The receiver may serve without bond if permitted by law. Lender's right to the appointment of a receiver shall exist whether or not the apparent value of the Property exceeds the Indebtedness by a substantial amount. Employment by Lender shall not disqualify a person from serving as a receiver.

Judicial Foreclosure. Lender may obtain a judicial decree foreclosing Grantor's interest in all or any part of the Property.

Nonjudicial Sale. If permitted by applicable law, Lender may foreclose Grantor's interest in all or in any part of the Personal Property or the Real Property by non-judicial sale.

Deficiency Judgment. If permitted by applicable law, Lender may obtain a judgment for any deficiency remaining in the Indebtedness due to Lender after application of all amounts received from the exercise of the rights provided in this section.

Tenancy at Sufferance. If Grantor remains in possession of the Property after the Property is sold as provided above or Lender otherwise becomes entitled to possession of the Property upon default of Grantor, Grantor shall become a tenant at sufferance of Lender or the purchaser of the Property and shall, at Lender's option, either (1) pay a reasonable rental for the use of the Property, or (2) vacate the Property immediately upon the demand of Lender.

Other Remedies. Lender shall have all other rights and remedies provided in this Mortgage or the Note or available at law or in equity.

Sale of the Property. To the extent permitted by applicable law, Grantor hereby waives any and all right to have the Property marshalled, in exercising its rights and remedies, Lender shall be free to sell all or any part of the Property together or separately, in one sale or by separate sales. Lender shall be entitled to bid at any public sale on all or any portion of the Property.

Notice of Sale. Lender shall give Grantor reasonable notice of the time and place of any public sale of the Personal Property or of the time after which any private sale or other intended disposition of the Personal Property is to be made. Reasonable notice shall mean notice given at least ten (10) days before the time of the sale or disposition. Any sale of the Personal Property may be made in conjunction with any sale of the Real Property.

Election of Remedies. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Grantor under this Mortgage, after Grantor's failure to perform, shall not affect Lender's right to declare a default and exercise its remedies. Nothing under this Mortgage or otherwise shall be construed so as to limit or restrict the rights and remedies available to Lender following an Event of Default, or in any way to limit or restrict the rights and ability of Lender to proceed directly against Grantor and/or against any other co-maker, guarantor, surety or endorser and/or to proceed against any other collateral directly or indirectly securing the Indebtedness.

Attorneys' Fees; Expenses. If Lender institutes any suit or action to enforce any of the terms of this Mortgage, Lender shall be entitled to recover such sum as the court may adjudge reasonable as attorneys' fees at trial and upon any appeal. Whether or not any court action is involved, and to the extent not prohibited by law, all reasonable expenses Lender incurs that in Lender's opinion are necessary at any time for the protection of its interest or the enforcement of its rights shall become a part of the Indebtedness payable on demand and shall bear interest at the Note rate from the date of the expenditure until repaid. Expenses covered by this paragraph include, without limitation, however subject to any limits under applicable law, Lender's reasonable attorneys' fees and Lender's legal expenses whether or not there is a lawsuit, including reasonable attorneys' fees and expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services, the cost of searching records, obtaining title reports (including foreclosure reports), surveyors' reports, and appraisal fees and title insurance, to the extent permitted by applicable law. Grantor also will pay any court costs, in addition to all other sums provided by law.

NOTICES. Any notice required to be given under this Mortgage, including without limitation any notice of default and any notice of sale shall be given in writing, and shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or

registered mail postage prepaid, directed to the addressee shown near the beginning of this Mortgage. All copies of notices of foreclosure from the holder of any lien which has priority over this Mortgage shall be sent to Lender's address, as shown near the beginning of this Mortgage. Any party may change its address for notices under this Mortgage by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Grantor agrees to keep Lender informed at all times of Grantor's current address. Unless otherwise provided or required by law, if there is more than one Grantor, any notice given by Lender to any Grantor is deemed to be notice given to all Grantors.

EXHIBIT "A". An exhibit, titled "EXHIBIT "A"," is attached to this Mortgage and by this reference is made a part of this Mortgage just as if the provisions, terms and conditions of the Exhibit had been fully set forth in this Mortgage.

MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Mortgage:

Amendments. This Mortgage, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Mortgage. No alteration of or amendment to this Mortgage shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

Annual Reports. If the Property is used for purposes other than Grantor's residence, Grantor shall furnish to Lender, upon request, a certified statement of net operating income received from the Property during Grantor's previous fiscal year in such form and detail as Lender shall require. "Net operating income" shall mean all cash receipts from the Property less all cash expenditures made in connection with the operation of the Property.

Caption Headings. Caption headings in this Mortgage are for convenience purposes only and are not to be used to interpret or define the provisions of this Mortgage.

Governing Law. This Mortgage will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Idaho without regard to its conflicts of law provisions. This Mortgage has been accepted by Lender in the State of Idaho.

Choice of Venue. If there is a lawsuit, Grantor agrees upon Lender's request to submit to the jurisdiction of the courts of ADA County, State of Idaho.

No Waiver by Lender. Lender shall not be deemed to have waived any rights under this Mortgage unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Mortgage shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Mortgage. No prior waiver by Lender, nor any course of dealing between Lender and Grantor, shall constitute a waiver of any of Lender's rights or of any of Grantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Mortgage, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

Severability. If a court of competent jurisdiction finds any provision of this Mortgage to be illegal, invalid, or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid, or unenforceable as to any other circumstance. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Mortgage. Unless otherwise required by law, the illegality, invalidity, or unenforceability of any provision of this Mortgage shall not affect the legality, validity or enforceability of any other provision of this Mortgage.

Merger. There shall be no merger of the interest or estate created by this Mortgage with any other interest or estate in the Property at any time held by or for the benefit of Lender in any capacity, without the written consent of Lender.

Successors and Assigns. Subject to any limitations stated in this Mortgage on transfer of Grantor's interest, this Mortgage shall be binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Property becomes vested in a person other than Grantor, Lender, without notice to Grantor, may deal with Grantor's successors with reference to this Mortgage and the indebtedness by way of forbearance or extension without releasing Grantor from the obligations of this Mortgage or liability under the indebtedness.

Time is of the Essence. Time is of the essence in the performance of this Mortgage.

Waiver of Homestead Exemption. Grantor hereby releases and waives all rights and benefits of the homestead exemption laws of the State of Idaho as to all indebtedness secured by this Mortgage.

DEFINITIONS. The following capitalized words and terms shall have the following meanings when used in this Mortgage. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Mortgage shall have the meanings attributed to such terms in the Uniform Commercial Code:

Borrower. The word "Borrower" means SOUTH COUNTY STATES, L.L.C. and includes all co-signers and co-makers signing the Note and all their successors and assigns.

Default. The word "Default" means the Default set forth in this Mortgage in the section titled "Default".

Environmental Laws. The words "Environmental Laws" mean any and all state, federal and local statutes, regulations and ordinances relating to the protection of human health or the environment, including without limitation the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq. ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99-499 ("SARA"), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 9601, et seq., or other applicable state or federal laws, rules, or regulations adopted pursuant thereto.

Event of Default. The words "Event of Default" mean any of the events of default set forth in this Mortgage in the events of default section of this Mortgage.

Existing Indebtedness. The words "Existing Indebtedness" mean the Indebtedness described in the Existing Liens provision of this Mortgage.

Grantor. The word "Grantor" means SOUTH COUNTY STATES, L.L.C..

Guarantor. The word "Guarantor" means any guarantor, surety, or accommodation party of any or all of the Indebtedness.

Guaranty. The word "Guaranty" means the guaranty from Guarantor to Lender, including without limitation a guaranty of all or part of the Note.

Hazardous Substances. The words "Hazardous Substances" mean materials that, because of their quantity, concentration or physical, chemical or infectious characteristics, may cause or pose a present or potential hazard to human health or the environment when improperly used, treated, stored, disposed of, generated, manufactured, transported or otherwise handled. The words "Hazardous Substances" are used in their very broadest sense and include without limitation any and all hazardous or toxic substances, materials or waste as defined by or listed under the Environmental Laws. The term "Hazardous Substances" also includes, without limitation, petroleum and petroleum by-products or any fraction thereof and asbestos.

Improvements. The word "Improvements" means all existing and future improvements, buildings, structures, mobile homes affixed on the Real Property, facilities, additions, replacements and other construction on the Real Property.

Indebtedness. The word "Indebtedness" means all principal, interest, and other amounts, costs and expenses payable under the Note or Related Documents, together with all renewals of, extensions of, modifications of, consolidations of and substitutions for the Note or Related Documents and any amounts expended or advanced by Lender to discharge Grantor's obligations or expenses incurred by Lender to enforce Grantor's obligations under this Mortgage, together with interest on such amounts as provided in this Mortgage. Specifically, without limitation, Indebtedness includes all amounts that may be indirectly secured by the Cross-Collateralization provision of this Mortgage.

Lender. The word "Lender" means Mountain West Bank, its successors and assigns.

Mortgage. The word "Mortgage" means this Mortgage between Grantor and Lender.

Note. The word "Note" means the promissory note dated June 12, 2008, in the original principal amount of \$1,040,000.00 from Grantor to Lender, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions

for the promissory note or agreement. NOTICE TO GRANTOR: THE NOTE CONTAINS A VARIABLE INTEREST RATE.

Personal Property. The words "Personal Property" mean all equipment, fixtures, and other articles of personal property now or hereafter owned by Grantor, and now or hereafter attached or affixed to the Real Property; together with all accessories, parts, and additions to, all replacements of, and all substitutions for, any of such property; and together with all proceeds (including without limitation all insurance proceeds and refunds of premiums) from any sale or other disposition of the Property.

Property. The word "Property" means collectively the Real Property and the Personal Property.

Real Property. The words "Real Property" mean the real property, interests and rights, as further described in this Mortgage.

Related Documents. The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, environmental agreements, guarantees, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the indebtedness.

Rents. The word "Rents" means all present and future rents, revenues, income, issues, royalties, profits, and other benefits derived from the Property.

GRANTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS MORTGAGE, AND GRANTOR AGREES TO ITS TERMS.

GRANTOR:

SOUTH COUNTY ESTATES, L.L.C.

By: JOHN R. SCHERER, MANAGING MEMBER OF SOUTH COUNTY ESTATES, L.L.C.

LIMITED LIABILITY COMPANY ACKNOWLEDGMENT

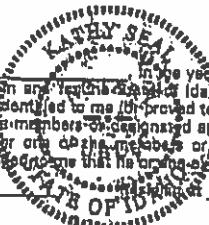
STATE OF Idaho

COUNTY OF Blaine

On this 12th day of June, in the year 2008, before me the undersigned a notary public in and for the State of Idaho, personally appeared JOHN R. SCHERER, MANAGING MEMBER OF SOUTH COUNTY ESTATES, L.L.C., known or identified to me (I provided to me on the oath of ESTATES, L.L.C. and the member or designated agent or authorized officer or designated agents who subscribed said limited liability company name to the foregoing instrument, and acknowledged to me that he or she executed the same in said limited liability company name.

Notary Public for Idaho

My commission expires 7.26.2011



A parcel of land in the SW $\frac{1}{4}$ and the SW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 6 and also in the E $\frac{1}{2}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ NE $\frac{1}{4}$, S $\frac{1}{2}$ NE $\frac{1}{4}$ and the N $\frac{1}{2}$ S $\frac{1}{2}$ of Section 7, more particularly described as follows:

COMMENCING at an iron pin marking the Northwest corner of the SW $\frac{1}{4}$, said Section 6, which point is also the REAL POINT OF BEGINNING;

Thence South 89°51'45" East, 2,608.44 feet along the Northerly boundary of said SW $\frac{1}{4}$, Section 6 to an iron pin marking the Northeast corner of said SW $\frac{1}{4}$, Section 6;

Thence South 0°35'18" East, 1,306.31 feet along the Easterly boundary of said SW $\frac{1}{4}$, Section 6 to an iron pin marking the Northwest corner of the SW $\frac{1}{4}$ SE $\frac{1}{4}$, said Section 6;

Thence South 89°42'45" East, 1,308.89 feet along the Northerly boundary of said SW $\frac{1}{4}$ SE $\frac{1}{4}$, Section 6 to an iron pin marking the Northeast corner of said SW $\frac{1}{4}$ SE $\frac{1}{4}$, Section 6;

Thence South 0°25'10" East, 1,309.70 feet along the Easterly boundary of said SW $\frac{1}{4}$ SE $\frac{1}{4}$, Section 6 to an iron pin marking the Southeast corner of said SW $\frac{1}{4}$ SE $\frac{1}{4}$, Section 6;

Thence South 0°17'54" East, 1,313.45 feet along the Easterly boundary of the NW $\frac{1}{4}$ NE $\frac{1}{4}$, said Section 7 to an iron pin marking the Southeast corner of said NW $\frac{1}{4}$ NE $\frac{1}{4}$, Section 7;

Thence South 89°47'36" East, 1,303.96 feet along the Northerly boundary of the SE $\frac{1}{4}$ NE $\frac{1}{4}$, Section 7 to an iron pin marking the Northeast corner of said SE $\frac{1}{4}$ NE $\frac{1}{4}$, Section 7;

Thence south 0°15'06" East, 1,308.14 feet along the Easterly boundary of said SE $\frac{1}{4}$ NE $\frac{1}{4}$, Section 7 to a brass cap marking the Southeast corner of said SE $\frac{1}{4}$ NE $\frac{1}{4}$, Section 7;

Thence South 0°45'30" East, 1,308.60 feet along the Easterly Boundary of the NE $\frac{1}{4}$ SE $\frac{1}{4}$, Section 7 to an iron pin marking the Southeast corner of said NE $\frac{1}{4}$ SE $\frac{1}{4}$, Section 7;

Thence South 89°50'53" West, 1,601.23 feet along the Southerly boundary of the N $\frac{1}{2}$ SE $\frac{1}{4}$, Section 7, to an iron pin on the intersection of the Southerly boundary with the Northeasterly boundary of the Union Pacific Railroad;

Thence North 31°10'34" West, 1,533.07 feet along said Northeasterly Railroad boundary to an iron pin on the intersection of said Railroad boundary with the Southerly boundary of the S $\frac{1}{2}$ NE $\frac{1}{4}$, said Section 7;

Thence South 89°58'26" West, 58.42 feet along said Railroad boundary and also along said Southerly boundary of the S $\frac{1}{2}$ NE $\frac{1}{4}$, Section 7 to an iron pin;

Thence North 31°10'34" West, 331.26 feet along said Railroad boundary to an iron pin on the intersection of said Railroad boundary with the Westerly boundary of said S $\frac{1}{2}$ NE $\frac{1}{4}$, Section 7;

Thence North 0°20'40" West, 97.56 feet along said Westerly boundary of the S $\frac{1}{2}$ NE $\frac{1}{4}$, Section 7 and also along said Railroad boundary to an iron pin;

Thence North 31°10'34" West, 2,570.24 feet along said Railroad boundary to an iron pin on the intersection of said Railroad boundary with the Westerly boundary of the NE $\frac{1}{4}$ NW $\frac{1}{4}$, Section 7;

Thence North 0°22'13" West, 58.00 feet along said Westerly boundary of the NE $\frac{1}{4}$ NW $\frac{1}{4}$, Section 7 to an iron pin marking the Northwest corner of said NE $\frac{1}{4}$ NW $\frac{1}{4}$, Section 7;

Thence North 89°58'18" West, 93.19 feet along the Southerly boundary of the Sw $\frac{1}{4}$, Section 6 to an iron pin on the Northeasterly boundary of the said Union Pacific Railroad;

Thence North 31°10'34" West, 2,353.23 feet along said Railroad boundary to an iron pin on the Westerly boundary of said SW $\frac{1}{4}$, Section 6;

Thence North 0°37'05" West, 604.70 feet along said Westerly boundary of the SW $\frac{1}{4}$, Section 6 to the TRUE POINT OF BEGINNING. (TL 7183)



State of Idaho

DEPARTMENT OF WATER RESOURCES

Southern Region, 1341 Fillmore Street, Suite 200 • Twin Falls, Idaho 83301-3380

Phone: (208) 736-3033 • Fax: (208) 736-3037 • Web Site: www.idwr.idaho.gov

June 20, 2008

C. L. "BUTCH" OTTER
Governor

DAVID R. TUTHILL, JR.
Director

MOUNTAIN WEST BANK
PO BOX 1059
COEUR D ALENE ID 83816

RE: SOUTH COUNTY ESTATES LLC #37-481C, 37-577BT,
37-482H, 37-483C, 37-2630

Dear Sir or Madam,

Pursuant to a Notice of Security Interest in a Water Right that was submitted to the Department, we have added security interests to the above water right claims. Please find the enclosed copies of the proof reports of the water rights noting the addition of the security interest. Review these records and if there is an error, or you have any questions, please contact this office.

Sincerely,

Carrie Hahn
Clerk

Enclosures

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 SNAKE RIVER BASIN WATER SYSTEM

CIVIL CASE NUMBER: 39576

Ident. Number 37-577BT
Date Received: 12/12/1988
Receipt No: C003852
Received By:

NOTICE OF CLAIM TO A WATER RIGHT
ACQUIRED UNDER STATE LAW

1. Name of Claimant(s)

SOUTH COUNTY ESTATES LLC
PO BOX 1539
KETCHUM ID 83340

2. Date of Priority: 03/24/1883

3. Source: BIG WOOD RIVER Trib. to: MALAD RIVER

4. Point of Diversion:

Township	Range	Section	1/4 of 1/4 of 1/4 Lot	County	Type
02N	18E	36	SW NW	BLAINE	

5. Description of diverting works:

HEADGATE #45 AND DISTRICT 45 CANAL

6. Water is used for the following purposes:

Purpose	From	To	C.F.S.	(or) A.F.A
IRRIGATION	4/01	11/01	2.2	

7. Total Quantity Appropriated is:
2.2 C.F.S.

8. Total consumptive use:

9. Non-irrigation uses:

10. Place of use:

Township	Range	Section	1/4	of 1/4	Lot	Use	Acres
01N	19E	6	NE	SW		IRRIGATION	40
			NW	SW	6	IRRIGATION	38
			SW	SW	7	IRRIGATION	39
			SE	SW		IRRIGATION	40
			SW	SE		IRRIGATION	13
						Section Acres	170
01N	19E	7	NW	NE		IRRIGATION	40
			SW	NE		IRRIGATION	40
			SE	NE		IRRIGATION	17
			NE	NW		IRRIGATION	30
			SE	NW		IRRIGATION	7
			NE	SE		IRRIGATION	20
			NW	SE		IRRIGATION	22
						Section Acres	176
						Total Acres	346

11. Place of use in counties: BLAINE

12. Do you own the property listed above as place of use? Yes

13. Other Water Rights Used:

14. Remarks:

AMOUNT CONFIRMED THROUGH WATERMASTER RECORDS. SAWTOOTH TITLE CO., INC. HOLDS RECORD TITLE TO THE LANDS IDENTIFIED ABOVE AS THE PLACE OF USE AND TO THE WATER RIGHTS AS TRUSTEE FOR G. CHAPMAN PETERSON & ASSOC. - IDAHO, A GENERAL PARTNERSHIP. THE PARTNER- SHIP HAS AUTHORIZED SAWTOOTH TITLE CO., INCL TO SIGN AND FILE THIS NOTICE OF CLAIM CONFORMED ATTORNEY MAILING ADDRESS DMS

15. Basis of Claim: Decreed

RECEIVED
OCT 09 2003
Department of Water Resources
Boise, Idaho

**STATE OF IDAHO
DEPARTMENT OF WATER RESOURCES
NOTICE OF CHANGE IN WATER RIGHT OWNERSHIP**

Please print or type. Attach pages with additional information. Instructions are included at the end of this form.
Incomplete forms will be returned.

1. Please list the water right number(s) and/or adjudication claim number(s) (if any) for each water right to be changed. List just the adjudication claim number if there is no corresponding water right record on file with the department. Indicate, by checking in the space provided (under the "split" heading), if the change in ownership is limited to a portion of a water right in which case division of the existing water right or adjudication claim record will be required.

Water Right No(s).	Adjudication Claim No(s).	Split	Water Right No(s).	Adjudication Claim No(s).	Split
_____	37-2630	___	_____	_____	___
_____	37-577BT	___	_____	_____	___
_____	37-483C	___	_____	_____	___
_____	37-481C	___	_____	_____	___
_____	_____	___	_____	_____	___

2. The following **REQUIRED** information must be submitted with this form:

- A. The appropriate **FILING FEE**. See instructions for fee amounts.
- B. A copy of the most recent **DEED, TITLE POLICY, CONTRACT OF SALE** or other legal document indicating your ownership of the property and water right(s) or claim(s) in question, **WITH ATTACHED LEGAL DESCRIPTION**.
- C. Either of the following (if necessary to clarify division of water rights or other complex property descriptions):
PLAT OF PROPERTY or **SURVEY MAP** clearly showing the location of the point(s) of diversion and place of use of your water right(s) and/or adjudication claim(s) (these are usually attached to your deed or on file with the county).

OR

If your water right(s) and/or adjudication claim(s) is for ten or more acres of irrigation, you must submit a USDA Farm Service Agency **AERIAL PHOTO** with the irrigated acres outlined and point(s) of diversion clearly marked. The **AERIAL PHOTO** should be submitted in place of the **PLAT OF PROPERTY** or **SURVEY MAP**.

3. Name and Address of Former Owner/Claimant(s) G. Chapman Petersen And Associates-Idaho
P. O. Box 3844, Durango, CO 81302-3844
4. New Owner/Claimant(s) South County Estates, LLC
Name Connector (Check one): ☐ and, ☐ or, ☐ and/or
- New Mailing Address Box 1539, Ketchum, ID 83340
- City, State and ZIP Code _____
- New Telephone Number 208) 726-8806
5. Date you acquired the property August 18, 2003

6. If the change in ownership affects the entire water right for each water right or adjudication claim number listed in item 1, THEN SKIP THIS ITEM AND GO TO ITEM 7. If the change in ownership divides the water right(s) among multiple owners, you must describe, in detail, your portion of each water right after the change. Fill in the appropriate spaces in the box(es) below to describe your water right(s) after the change (one water right per box, you may copy this page as necessary). If your quantity of water is greater than a proportionate split, you must attach documentation to show justification for a larger amount. If you are not sure how to identify your portion of the original water right or adjudication claim records, please contact the nearest IDWR office for assistance.

DESCRIPTION OF YOUR PORTION OF WATER RIGHT (If the right(s) will not be split, skip this area and proceed to item 7)		
Water Right and/or Adjudication Claim Number _____		
Water Use	Diversion Rate or Volume (cubic feet per second or acre-feet per annum)	Description (acres, number and type of stock, homes, etc)
Irrigation	_____	_____
Stock	_____	_____
Domestic	_____	_____
Other _____	_____	_____
Total	_____	_____

DESCRIPTION OF YOUR PORTION OF WATER RIGHT (If the right(s) will not be split, skip this area and proceed to item 7)		
Water Right and/or Adjudication Claim Number _____		
Water Use	Diversion Rate or Volume (cubic feet per second or acre-feet per annum)	Description (acres, number and type of stock, homes, etc)
Irrigation	_____	_____
Stock	_____	_____
Domestic	_____	_____
Other _____	_____	_____
Total	_____	_____

7. Signature of New Owner(s) or Claimant(s) _____
(include title if applicable)

For Snake River Basin Adjudication Claims: Please attach a Notice of Appearance completed by your attorney, if you wish IDWR to correspond with him/her for all matters related to your claims.

For Office Use Only			
Received by <u>[Signature]</u>	Date <u>10/6/03</u>	Fee <u>NA</u>	
Receipted by _____	Date _____	Receipt No. _____	
Processed by _____ AJ	Date _____	WR _____	Date _____

SVTC Order No. 02-18525

QUITCLAIM DEED

For Value Received John Scherer, a married man, as his sole and separate property

Do hereby convey, release, remise and forever quitclaim unto

South County Estates, LLC, an Idaho Limited Liability Company

Whose current address is Box 1539
Ketchum, Id 83340

the following described premises, to-wit:

All water rights (shown in Exhibit A) appurtenant to said property as described in Exhibit B

Instrument # 489667

HAILEY, BLAINE, IDAHO

2003-08-18

12:01:00 No. of Pages: 12

Recorded for : SUN VALLEY TITLE

MARSHA RIEMANN

Fee: 36.00

Ex-Officio Recorder Deputy

Index to: WTYOCICORP DEED

RECEIVED
OCT 09 2003
Department of Water Resources
Ketchum, Idaho

Together with their appurtenances.

Dated: August 15, 2003

John Scherer

State of: Idaho

County of: Blaine

On this 14th day of August 2003, before me, a Notary Public in and for said State, personally appeared John Scherer known or identified to me to be the person whose name is subscribed to the within instrument, and acknowledged to me that he executed the same.

Notary Public

Residing at: Hailey, Id

Comm. Expires: 9-7-2006



AJ0723HP
(CD-26)

IDAHO DEPARTMENT OF WATER RESOURCES
ADJUDICATION CLAIMS PROOF READING REPORT

03/12/99 16:56:16
Page 1

Water Right Number - A37-00481C

Prefix Translation: ADJUDICATION CLAIM

Old (D) Number -

+ - - - - Last Name - - - - + + - First Name - - + + - - - - - Address - - - - - +

*** A - ATTORNEY ***
SPECK

JAMES P

1 - NOGUE SPECK & AARSTAD
2 - PO BOX 987
3 -
City- KETCHUM State- ID Zip- 83340
Phone - 208-000-0000

*** C - CURRENT OWNER ***
SANTOJIN TITLE CO INC TRUSTEE

1 - G CHAPMAN PETERSEN & ASSOC
2 - C/O G CHAPMAN PETERSEN & ASS
3 - RT 5 SPRINGWOOD LANE
City- HARRINGTON HILLS State- IL Zip- 60010
Phone - 312-426-4646

+ - - Priority Date - - + + - - - Region - - - + + - - - Stage - - - + + - - - Status - - - +
08/01/1982 ERROR IN REGION D - DECREED

+ - - - - Source - - - - - + + - - - - - Tributary - - - - - +
BIG WOOD RIVER HALAD RIVER

+ - - - - Point of Diversion - - - - - +
Turn Rng Sec Tract Lot RFlg County Diversion Name
02N 16E 36 SW NW (13) BLAINE

+ - - - - Water Use - - - - - +
Code Description Period From Period To Diversion Rate Diversion Volume
01 - IRRIGATION 04/01 11/01 3.014

+ - Total Div. Rate - + + - Total Div. Volume - + + - Total Div. Capacity - + + - Total Consumptive Use - + + - KW Usage - +
3.014 865.0

+ - - - - Place of Use - - - - - +
Turn Rng Sec Tract Lot Acres Code Description County
01N 19E 6 NE SW 40.0 01 IRRIGATION (13) BLAINE
01N 19E 6 NW SW 6 38.0 01 IRRIGATION (13) BLAINE
01N 19E 6 SW SW 7 39.0 01 IRRIGATION (13) BLAINE
01N 19E 6 SE SW 40.0 01 IRRIGATION (13) BLAINE
01N 19E 6 SW SE 13.0 01 IRRIGATION (13) BLAINE
01N 19E 7 NW NE 40.0 01 IRRIGATION (13) BLAINE
01N 19E 7 SW NE 40.0 01 IRRIGATION (13) BLAINE
01N 19E 7 SE NE 17.0 01 IRRIGATION (13) BLAINE
01N 19E 7 NE NW 30.0 01 IRRIGATION (13) BLAINE
01N 19E 7 SE NW 7.0 01 IRRIGATION (13) BLAINE
01N 19E 7 NE SE 20.0 01 IRRIGATION (13) BLAINE
01N 19E 7 NW SE 22.0 01 IRRIGATION (13) BLAINE

Total Acres: 346.0

+ - - Diversion Means - BIG WOOD RIVER CANAL, DITCH, HEADGATE

Exhibit A

AJ0723NP
(00-26)

IDAHO DEPARTMENT OF WATER RESOURCES
ADJUDICATION CLAIMS PROOF READING REPORT

03/12/99 16:56:26
Page 2

Water right number - A37-00481C

Prefix Translation: ADJUDICATION CLAIM

* - Non-Irrigation Use -

* - Other Rights for Same Use - 37-02630, 37-0577AC (B1), 37-00482A, 37-00483

* - Remarks -

GEN THIS RIGHT IS PORTION OF THE RIGHT ORIGINALLY DECREED TO
ANNIE T. MILLER, JOHN Q. PACKARD, JANE E. TURNER, WILLIAM H.
WAYMAN AND OLIVE WAYMAN IN THE FROST DECREE.
AMOUNT CONFIRMED THROUGH WATERMASTER RECORDS. SAWTOOTH TITLE CO.,
INC. HOLDS RECORD TITLE TO THE LANDS IDENTIFIED ABOVE AS THE
PLACE OF USE AND TO THE WATER RIGHTS AS TRUSTEE FOR G. CHAPMAN
PETERSEN & ASSOC. - IDAHO, A GENERAL PARTNERSHIP. THE PARTNER-
SHIP HAS AUTHORIZED SAWTOOTH TITLE CO., INC. TO SIGN AND FILE
THIS NOTICE OF CLAIM.
CONFIRMED ATTORNEY MAILING ADDRESS DHS

* - Old Water Right Numbers
No Old Water Right Numbers found.

* - Conditions of Approval
No Conditions of Approval found.

* - - - Decree Plaintiff - - -

* - - - Decree Defendant - - -

* - Decree Date - *
00/00/0000

* - Audit fields - 12/19/88 MARRINGT 03/30/95 POST-STD 03/31/95 DSHLM

* - Comments -
No Comments Found

* - Adjudication Rights Dates and Flags Area -

Court Report Filing	- 00/00/0000	Field Inspection Made	- 00/00/0000	Civil Case Number	- 39576
Objection Filed Date	- 00/00/0000	Field Inspection Flag	-	Old Case Number	-
Response Filed Date	- 00/00/0000	Verified Date	- 00/00/0000	Old Judicial District	-
Claim Received Date	- 12/12/1988	Last Amended Date	- 00/00/0000	Temporary Right	- P
Proof Due Date	- 00/00/0000	Proof Made Date	- 00/00/0000	Water District	-
Licensed Date	- 00/00/0000	Receipt Number	- C003852	Federal/State Indicator	- S
		PCU Ownership Flag	- Y	Presumption Flag	-
		Name Connector	- AND/OR	Notice of Error Flag	-

AJ0723WP
(00-26)

IDAHO DEPARTMENT OF WATER RESOURCES
ADJUDICATION CLAIMS PROOF READING REPORT

03/12/99 16:57:06
Page 1

Water Right Number - A37-00483C

Prefix Translation: ADJUDICATION CLAIM

Old (0) Number -

+ - - - - Last Name - - - - + + - First Name - - + + - - - - - Address - - - - - +

*** A - ATTORNEY ***
SPECK

JAMES P

1 - HOGUE SPECK & AANESTAD
2 - PO BOX 987
3 -
City- KETCHUM State- ID Zip- 83340
Phone - 208-000-0000

*** C - CURRENT OWNER ***
SAUTOOTH TITLE CO INC TRUSTEE

1 - G CHAPMAN PETERSEN & ASSOC
2 - C/O G CHAPMAN PETERSEN
3 - RT 5 SPRINGWOOD LAKE
City- BARRINGTON HILLS State- IL Zip- 60010
Phone - 312-426-4646

+ - - Priority Date - - + + - - - Region - - - + + - - - Stage - - - + + - - - Status - - - +
08/01/1902 ERROR IN REGION D - DECREED

+ - - - - Source - - - - - + + - - - - Tributary - - - - - +
BIG WOOD RIVER MALAD RIVER

+ - - - - Point of Diversion - - - - - +
Turn Rng Sec Tract Lot RFlg County Diversion Name
02N 18E 36 SW NW (13) BLAINE

+ - - - - Water Use - - - - - +
Code Description Period From Period To Diversion Rate Diversion Volume
01 - IRRIGATION 04/01 11/01 15.086

+ - Total Div. Rate - + + - Total Div. Volume - + + - Total Div. Capacity - + + - Total Consumptive Use - + + - KW Usage - +
15.086 865.0

+ - - - - Place of Use - - - - - +
Turn Rng Sec Tract Lot Acres Code Description County
01N 19E 6 NE SW 40.0 01 IRRIGATION (13) BLAINE
01N 19E 6 NW SW 38.0 01 IRRIGATION (13) BLAINE
01N 19E 6 SW SW 39.0 01 IRRIGATION (13) BLAINE
01N 19E 6 SE SW 40.0 01 IRRIGATION (13) BLAINE
01N 19E 6 SW SE 13.0 01 IRRIGATION (13) BLAINE
01N 19E 7 NW NE 40.0 01 IRRIGATION (13) BLAINE
01N 19E 7 SW NE 40.0 01 IRRIGATION (13) BLAINE
01N 19E 7 SE NE 17.0 01 IRRIGATION (13) BLAINE
01N 19E 7 NE NW 30.0 01 IRRIGATION (13) BLAINE
01N 19E 7 SE NW 7.0 01 IRRIGATION (13) BLAINE
01N 19E 7 NE SE 20.0 01 IRRIGATION (13) BLAINE
01N 19E 7 NW SE 22.0 01 IRRIGATION (13) BLAINE

Total Acres: 346.0

+ - - Diversion Means - HEADGATE #45 AND DISTRICT 45 CANAL

AJ0723NP
(CS-26)

IDAH0 DEPARTMENT OF WATER RESOURCES
ADJUDICATION CLAIMS PROOF READING REPORT

03/12/99 16:57:16
Page 2

Water right number - A37-00483C

Prefix Translation: ADJUDICATION CLAIM

* - - Non-Irrigation Use -

* - - Other Rights for Same Use - A37-00577BT, A37-00481C, A37-02630, A37-00482A

* - - - - - Remarks - - - - -

GEN THIS RIGHT IS A PORTION OF THE RIGHT ORIGINALLY DECREED TO
ANNIE I. MILLER, JOHN Q. PACKARD, JANE E. BURRER, WILLIAM H.
WAYMAN AND OLIVE WAYMAN IN THE FROST DECREE. SAWTOOTH TITLE CO.,
INC. HOLDS RECORD TITLE TO THE LANDS IDENTIFIED ABOVE AS THE
PLACE OF USE AND TO THE WATER RIGHTS AS TRUSTEE FOR G. CHAPMAN
PETERSEN & ASSOC., - IDAHO, A GENERAL PARTNERSHIP. THIS
PARTNERSHIP HAS AUTHORIZED SAWTOOTH TITLE CO., INC. TO SIGN AND
FILE THIS NOTICE OF CLAIM.

* - - - - - Old Water Right Numbers - - - - -
No Old Water Right Numbers found.

* - - - - - Conditions of Approval - - - - -
No Conditions of Approval found.

* - - - - Decree Plaintiff - - - *
S.C. FROST ET AL.

* - - - - Decree Defendant - - - *
ALFURUS WATER CO. ET AL.

* - Decree Date - *
12/13/1909

* - - Audit Fields - 12/12/88 HARRINGT 12/19/88 HARRINGT 03/30/95 POST-STD

* - - - - - Comments - - - - -
No Comments Found

* - - - - - Adjudication Rights Dates and Flags Area - - - - -

Court Report Filing - 00/00/0000
Objection Filed Date - 00/00/0000
Response Filed Date - 00/00/0000
Claim Received Date - 10/26/1988
Proof Due Date - 00/00/0000
Licensed Date - 00/00/0000

Field Inspection Made - 00/00/0000
Field Inspection Flag -
Verified Date - 00/00/0000
Last Amended Date - 00/00/0000
Proof Made Date - 00/00/0000
Receipt Number - C003852
POI Ownership Flag - Y
Name Connector - OR

Civil Case Number - 39576
Old Case Number -
Old Judicial District -
Temporary Right - P
Water District -
Federal/State Indicator - S
Presumption Flag -
Notice of Error Flag -

AJ0723HP
(00-26)

IDAHO DEPARTMENT OF WATER RESOURCES
ADJUDICATION CLAIMS PROOF READING REPORT

03/12/99 16:57:29
Page 1

Water Right Number - A37-005778T

Prefix Translation: ADJUDICATION CLAIM

Old (D) Number -

+ - - - - Last Name - - - - + + - First Name - - + + - - - - - Address - - - - - +

*** A - ATTORNEY ***
SPECK

JAMES P

1 - HOGUE SPECK & AARSTAD
2 - PO BOX 987
3 -

City- KETCHUM State- ID Zip- 83340
Phone - 208-000-0000

*** C - CURRENT OWNER ***
SAINTOOTH TITLE CO INC TRUSTEES

1 - G CHAPMAN PETERSON & ASSOC
2 - C/O G CHAPMAN PETERSON
3 - RT 5 SPRINGWOOD LAND
City- BARRINGTON HILLS
Phone - 312-426-4646

State- IL Zip- 60010

*** O - ORIGINAL OWNER ***
RILEY

W T

1 -
2 -
3 -

City- XXXXXX State- ID Zip- 00000
Phone - 208-000-0000

CRONE

D H

1 -
2 -
3 -

City- GAINETT State- ID Zip- 83313
Phone - 208-000-0000

+ - - Priority Date - - + + - - Region - - - + + - - Stage - - - + + - - Status - - - +
03/24/1883 17 SOUTHERN D - DECREED

+ - - - - Source - - - - - + + - - - - Tributary - - - - - +
BIG WOOD RIVER HALAD RIVER

+ - - - - Point of Diversion - - - - - +
Tun Rng Sec Tract Lot RFlg County Diversion Name
02H 18E 36 SW NW (13) BLAINE

+ - - - - Water Use - - - - - +
Code Description Period From Period To Diversion Rate Diversion Volume
01 - IRRIGATION 04/01 11/01 2.200

+ - Total Div. Rate - + + - Total Div. Volume - + + - Total Div. Capacity - + + - Total Consumptive Use - + + - KU Usage - +
2.200 865.0

+ - - - - Place of Use - - - - - +
Tun Rng Sec Tract Lot Acres Code Description County
01H 19E 6 NE SW 40.0 01 IRRIGATION (13) BLAINE
01H 19E 6 NW SW 6 38.0 01 IRRIGATION (13) BLAINE
01H 19E 6 SW SW 7 39.0 01 IRRIGATION (13) BLAINE
01H 19E 6 SE SW 40.0 01 IRRIGATION (13) BLAINE
01H 19E 6 SW SE 13.0 01 IRRIGATION (13) BLAINE
01H 19E 7 NW NE 40.0 01 IRRIGATION (13) BLAINE
01H 19E 7 SW NE 40.0 01 IRRIGATION (13) BLAINE

AJ0723NP
(00-26)

IDaho DEPARTMENT OF WATER RESOURCES
ADJUDICATION CLAIMS PROOF READING REPORT

03/12/99 16:57:39
Page 2

Water right number - A37-005778T

Prefix Translation: ADJUDICATION CLAIM

Turn	Rng	Sec	Tract	Lot	Acres	Place of Use Code	Description	County
01H	19E	7	SE NE		17.0	01	IRRIGATION	(13) BLAINE
01H	19E	7	NE NW		30.0	01	IRRIGATION	(13) BLAINE
01H	19E	7	SE NW		7.0	01	IRRIGATION	(13) BLAINE
01H	19E	7	NE SE		20.0	01	IRRIGATION	(13) BLAINE
01H	19E	7	NW SE		22.0	01	IRRIGATION	(13) BLAINE

Total Acres: 346.0

+ - - Diversion Means - HEADGATE #45 AND DISTRICT 45 CANAL

+ - - Non-Irrigation Use -

+ - - Other Rights for Same Use - 37-02630, 37-00482A, 37-0483, 37-0481

+ - - - - - Remarks - - - - -

GEN AMOUNT CONFIRMED THROUGH WATERMASTER RECORDS. SAWTOOTH TITLE CO., INC. HOLDS RECORD TITLE TO THE LANDS IDENTIFIED ABOVE AS THE PLACE OF USE AND TO THE WATER RIGHTS AS TRUSTEE FOR G. CHAPMAN PETERSON & ASSOC. - IDAHO, A GENERAL PARTNERSHIP. THE PARTNERSHIP HAS AUTHORIZED SAWTOOTH TITLE CO., INCL TO SIGN AND FILE THIS NOTICE OF CLAIM
CONFIRMED ATTORNEY MAILING ADDRESS DHS

+ - - - - - Old Water Right Numbers - - - - -
No Old Water Right Numbers found.

+ - - - - - Conditions of Approval - - - - -
No Conditions of Approval found.

+ - - - - Decree Plaintiff - - - +	+ - - - - Decree Defendant - - - +	+ - - Decree Date - +
S.C. FROST ET AL.	ALTURUS WATER CO, ET UX.	00/00/0000

+ - - Audit Fields - 01/03/89 HARRINGT 03/30/95 POST-51D 03/31/95 DSHITH

+ - - - - - Comments - - - - -
No Comments Found

+ - - - - - Adjudication Rights Dates and Flags Area - - - - -

Court Report Filing - 00/00/0000	Field Inspection Made - 00/00/0000	Civil Case Number - 39576
Objection Filed Date - 00/00/0000	Field Inspection Flag -	Old Case Number -
Response Filed Date - 00/00/0000	Verified Date - 00/00/0000	Old Judicial District -
Claim Received Date - 12/12/1988	Last Amended Date - 00/00/0000	Temporary Right - P
Proof Due Date - 00/00/0000	Proof Made Date - 00/00/0000	Water District - 37
Licensed Date - 00/00/0000	Receipt Number - C003852	Federal/State Indicator - S
	POU Ownership Flag - Y	Presumption Flag - D
	Name Connector -	Notice of Error Flag -

AJ0723RP
(00-26)

IDAHO DEPARTMENT OF WATER RESOURCES
ADJUDICATION CLAIMS PROOF READING REPORT

03/12/99 16:57:55
Page 1

Water Right Number - A37-02630

Prefix Translation: ADJUDICATION CLAIM

Old (D) Number - 28418

+ - - - - Last Name - - - - + + - First Name - - + + - - - - - Address - - - - - +

*** A - ATTORNEY ***
SPECK

JAMES P

1 - HOGUE SPECK & AARSTAD
2 - PO BOX 987
3 -
City- KETCHUM
Phone - 208-000-0000

State- ID Zip- 83340

*** C - CURRENT OWNER ***
SANTOGN TITLE CO INC TRUSTEE

1 - G CHAPMAN PETERSEN & ASSOC
2 - C/O G CHAPMAN PETERSEN
3 - RT 5 SPRINGWOOD LANE
City- BARRINGTON HILLS
Phone - 312-426-4646

State- IL Zip- 60010

*** O - ORIGINAL OWNER ***
BARKER

CURTIS J

1 - PO BOX 125
2 -
3 -
City- BELLEVUE
Phone - 208-000-0000

State- ID Zip- 03313

+ - - Priority Date - - + + - - - Region - - - + + - - - Stage - - - + + - - - Status - - - +
02/02/1960 17 SOUTHERN L - LICENSE

+ - - - - Source - - - - + + - - - - - Tributary - - - - - +
GROUNDWATER

+ - - - - - - - - - - - - - Point of Diversion - - - - - +
Twn Rng Sec Tract Lot RFlg County Diversion Name

01N 19E 6 NW 1/4 SW (13) BLAINE

+ - - - - - - - - - - - - - Water Use - - - - - +
Code Description Period From Period To Diversion Rate Diversion Volume
01 - IRRIGATION 04/01 11/01 3.750

+ - - Total Div. Rate - + + - - Total Div. Volume - + + - - Total Div. Capacity - + + - - Total Consumptive Use - + + - - KW Usage - +
3.750 865.0

+ - - - - - - - - - - - - - Place of Use - - - - - +
Twn Rng Sec Tract Lot Acres Code Description County

| | | | | | | | | |
|-----|-----|---|-------|---|------|----|------------|-------------|
| 01N | 19E | 6 | NE SW | | 40.0 | 01 | IRRIGATION | (13) BLAINE |
| 01N | 19E | 6 | NW SW | 6 | 38.0 | 01 | IRRIGATION | (13) BLAINE |
| 01N | 19E | 6 | SW SW | 7 | 39.0 | 01 | IRRIGATION | (13) BLAINE |
| 01N | 19E | 6 | SE SW | | 40.0 | 01 | IRRIGATION | (13) BLAINE |
| 01N | 19E | 6 | SW SE | | 13.0 | 01 | IRRIGATION | (13) BLAINE |
| 01N | 19E | 7 | NW NE | | 40.0 | 01 | IRRIGATION | (13) BLAINE |
| 01N | 19E | 7 | SW NE | | 40.0 | 01 | IRRIGATION | (13) BLAINE |
| 01N | 19E | 7 | SE NE | | 17.0 | 01 | IRRIGATION | (13) BLAINE |
| 01N | 19E | 7 | NE NW | | 30.0 | 01 | IRRIGATION | (13) BLAINE |
| 01N | 19E | 7 | SE NW | | 7.0 | 01 | IRRIGATION | (13) BLAINE |
| 01N | 19E | 7 | NE SE | | 20.0 | 01 | IRRIGATION | (13) BLAINE |
| 01N | 19E | 7 | NW SE | | 22.0 | 01 | IRRIGATION | (13) BLAINE |

AJD723HP
(CD-26)

IDaho DEPARTMENT OF WATER RESOURCES
ADJUDICATION CLAIMS PROOF READING REPORT

03/12/99 16:58:05
Page 2

Water right number - A37-02630

Prefix Translation: ADJUDICATION CLAIM

| Twn | Rng | Sec | Tract | Lot | Acres | Code | Description | County |
|-----|-----|-----|-------|-----|-------|------|-------------|--------|
|-----|-----|-----|-------|-----|-------|------|-------------|--------|

Total Acres: 346.0

- - - Diversion Means - WELL, 118' DEEP, 40 HP PUMP TO CONCRETE SPILLWAY

- - - Non-Irrigation Use -

- - - Other Rights for Same Use - 37-00481C,37-00577AC(BT),37-00482A,37-00483

- - - Remarks - - - - -

GEN SANTOOTH TITLE CO., INC. HOLDS RECORD TITLE TO THE LANDS
IDENTIFIED ABOVE AS THE PLACE OF USE AND TO THE WATER RIGHTS
AS TRUSTEE FOR G. CHAPMAN PETERSEN & ASSOC. - IDAHO, A GEN.
PARTNERSHIP. THE PARTNERSHIP HAS AUTHORIZED SANTOOTH TITLE CO.,
INC. TO SIGN AND FILE THIS NOTICE OF CLAIM.
CONFORMED ATTORNEY MAILING ADDRESS DHS

- - - Old Water Right Numbers - - - - -
No Old Water Right Numbers found.

- - - Conditions of Approval - - - - -
No Conditions of Approval found.

- - - Decree Plaintiff - - - - - - - - Decree Defendant - - - - - - - - Decree Date - - -
00/00/0000

- - - Audit Fields - 12/19/88 HARRINGT 03/30/95 POST-STD 03/31/95 DSHITH

- - - Comments - - - - -
No Comments found

- - - Adjudication Rights Dates and Flags Area - - - - -

| | | |
|-----------------------------------|------------------------------------|-----------------------------|
| Court Report Filing - 00/00/0000 | Field Inspection Made - 00/00/0000 | Civil Case Number - 39576 |
| Objection Filed Date - 00/00/0000 | Field Inspection Flag - | Old Case Number - |
| Response Filed Date - 00/00/0000 | Verified Date - 00/00/0000 | Old Judicial District - |
| Claim Received Date - 12/12/1988 | Last Amended Date - 00/00/0000 | Temporary Right - P |
| Proof Due Date - 00/00/0000 | Proof Made Date - 00/00/0000 | Water District - |
| Licensed Date - 00/00/0000 | Receipt Number - C003852 | Federal/State Indicator - S |
| | POU Ownership Flag - Y | Prestemption Flag - |
| | Name Corrector - | Notice of Error Flag - |

EXHIBIT " B "

Legal Description:

Parcel I:

TOWNSHIP 1 NORTH, RANGE 19 EAST, BOISE MERIDIAN, BLAINE COUNTY, IDAHO. SECTIONS 6 & 7:

A parcel of land in the SW1/4 and the SW1/4SE1/4 of said Section 6 and also in the E1/2NW1/4, NW1/4NE1/4, S1/2NE1/4 and the N1/2SE1/4 of said Section 7, more particularly described as follows:

COMMENCING at an iron pin marking the Northwest corner of the SW1/4, said Section 6, which point is also the REAL POINT OF BEGINNING; thence
S. 89°51' 45" E., 2,608.44 feet along the Northerly boundary of said SW1/4, Section 6, to an iron pin marking the Northeast corner of said SW1/4, Section 6; thence
S. 0°35' 18" E., 1,306.31 feet along the Easterly boundary of said SW1/4, Section 6, to an iron pin marking the Northwest corner of the SW1/4SE1/4, said Section 6; thence
S. 89°42' 45" E., 1,308.89 feet along the Northerly boundary of said SW1/4SE1/4, Section 6; to an iron pin marking the Northeast corner of said SW1/4SE1/4, Section 6; thence
S. 0°25' 10" E., 1,309.70 feet along the Easterly boundary of said SW1/4SE1/4, Section 6, to an iron pin marking the Southeast corner of said SW1/4SE1/4, Section 6; thence
S. 0°17' 54" E., 1,313.45 feet along the Easterly boundary of the NW1/4NE1/4, said Section 7, to an iron pin marking the Southeast corner of said NW1/4NE1/4, Section 7; thence
S. 89°47' 36" E., 1,303.96 feet along the Northerly boundary of the SE1/4NE1/4, said Section 7, to an iron pin marking the Northeast corner of said SE1/4NE1/4, Section 7; thence
S. 0° 15' 06" E., 1,308.14 feet along the Easterly boundary of said SE1/4NE1/4, Section 7, to a brass cap marking the Southeast corner of said SE1/4NE1/4, Section 7; thence
S. 0°45' 30" E., 1,308.60 feet along the Easterly boundary of the NE1/4SE1/4, Section 7, to an iron pin marking the Southeast corner of said NE1/4SE1/4, Section 7; thence
S. 89°50' 53" W., 1,601.23 feet along the Southerly boundary of the N1/2SE1/4, Section 7, to an iron pin on the intersection of said Southerly boundary with the Northeasterly boundary of the Union Pacific Railroad; thence
N. 31° 10' 34" W., 1,533.07 feet along said Northeasterly Railroad boundary to an iron pin on the intersection of said Railroad boundary with the Southerly boundary of the S1/2NE1/4, said Section 7; thence
S. 89° 58' 26" W., 58.42 feet along said Railroad boundary and also along said Southerly boundary of the S1/2NE1/4, Section 7, to an iron pin, thence
N. 31°10' 34" W., 331.26 feet along said Railroad boundary to an iron pin on the intersection of said Railroad boundary with the Westerly boundary of said S1/2NE1/4, Section 7; thence
N. 0°20' 40" W., 97.56 feet along said Westerly boundary of the S1/2NE1/4, Section 7, and also along said Railroad boundary to an iron pin; thence
N. 31°10' 34" W., 2,570.24 feet along said Railroad boundary to an iron pin on the intersection of said Railroad boundary with the Westerly boundary of the NE1/4NW1/4, said Section 7; thence
N. 0°22' 13" W., 58.00 feet along said Westerly boundary of the NE1/4NW1/4, Section 7, to an iron pin marking the Northwest corner of said NE1/4NW1/4, Section 7; thence

LEGAL DESCRIPTION, CONTINUED

N. 89° 58' 18" W., 93.19 feet along the Southerly boundary of the SW1/4, Section 6, to an iron pin on the Northeasterly boundary of the said Union Pacific Railroad; thence N. 31° 10' 34" W., 2,353.23 feet along said Railroad boundary to an iron pin on the Westerly boundary of said SW1/4, Section 6; thence N. 0°37' 05" W., 604.70 feet along said Westerly boundary of the SW1/4, Section 6, to the TRUE POINT OF BEGINNING.

Also known as Tax Lot 7183.

Exhibit 'B'

Legal Description:

Parcel II:

TOWNSHIP 1 NORTH, RANGE 19 EAST, BOISE MERIDIAN,
BLAINE COUNTY, IDAHO. SECTION 7:

A parcel of land in Lot 1 of said Section 7, more particularly
described as follows:

COMMENCING at an iron pin marking the North 1/4 Corner of
Said Section 7; thence
N. 89°58' 18" W. 1,317.34 feet along the Northerly boundary of the
E1/2NW1/4, Section 7, to an iron pin marking the Northwest corner
of said E1/2NW1/4, Section 7, said pin also being the TRUE POINT
OF BEGINNING; thence
continuing N. 89°58' 18" W. 34.73 feet along the Northerly
boundary of the W1/2NW1/4, Section 7, to an iron pin on the
intersection of the Northeasterly boundary of the Union Pacific
Railroad and said Northerly boundary of the W1/2NW1/4, Section 7;
thence
S. 31° 10' 34" E., 67.81 feet along said Northeasterly Railroad
boundary to an iron pin on the intersection of said Northeasterly
Railroad boundary and the Westerly boundary of said E1/2NW1/4 of
Section 7; thence
N. 0°22' 13" W., 58.00 feet along said Westerly boundary of the
E1/2NW1/4 to the TRUE POINT OF BEGINNING.

Also known as Tax Lot 4913.

RECEIVED
SEP 11 2000
Department of Water Resources
Southern Region

EXHIBIT " A "

Legal Description:

Parcel I:

TOWNSHIP 1 NORTH, RANGE 19 EAST, BOISE MERIDIAN, BLAINE COUNTY,
IDAHO. SECTIONS 6 & 7:

A parcel of land in the SW1/4 and the SW1/4SE1/4 of said Section 6 and also in the
E1/2NW1/4, NW1/4NE1/4, S1/2NE1/4 and the N1/2SE1/4 of said Section 7, more
particularly described as follows:

COMMENCING at an iron pin marking the Northwest corner of the SW1/4, said Section 6, which point is also the REAL POINT OF BEGINNING; thence
S. 89°51' 45" E., 2,608.44 feet along the Northerly boundary of said SW1/4, Section 6, to
an iron pin marking the Northeast corner of said SW1/4, Section 6; thence
S. 0°35' 18" E., 1,306.31 feet along the Easterly boundary of said SW1/4, Section 6, to an
iron pin marking the Northwest corner of the SW1/4SE1/4, said Section 6; thence
S. 89°42' 45" E., 1,308.89 feet along the Northerly boundary of said SW1/4SE1/4,
Section 6; to an iron pin marking the Northeast corner of said SW1/4SE1/4, Section 6;
thence
S. 0°25' 10" E., 1,309.70 feet along the Easterly boundary of said SW1/4SE1/4, Section
6, to an iron pin marking the Southeast corner of said SW1/4SE1/4, Section 6; thence
S. 0°17' 54" E., 1,313.45 feet along the Easterly boundary of the NW1/4NE1/4, said
Section 7, to an iron pin marking the Southeast corner of said NW1/4NE1/4, Section 7;
thence
S. 89°47' 36" E., 1,303.96 feet along the Northerly boundary of the SE1/4NE1/4, said
Section 7, to an iron pin marking the Northeast corner of said SE1/4NE1/4, Section 7;
thence
S. 0° 15' 06" E., 1,308.14 feet along the Easterly boundary of said SE1/4NE1/4, Section
7, to a brass cap marking the Southeast corner of said SE1/4NE1/4, Section 7; thence
S. 0°45' 30" E., 1,308.60 feet along the Easterly boundary of the NE1/4SE1/4, Section 7,
to an iron pin marking the Southeast corner of said NE1/4SE1/4, Section 7; thence
S. 89°50' 53" W., 1,601.23 feet along the Southerly boundary of the N1/2SE1/4, Section
7, to an iron pin on the intersection of said Southerly boundary with the Northeasterly
boundary of the Union Pacific Railroad; thence
N. 31° 10' 34" W., 1,533.07 feet along said Northeasterly Railroad boundary to an iron
pin on the intersection of said Railroad boundary with the Southerly boundary of the
S1/2NE1/4, said Section 7; thence
S. 89° 58' 26" W., 58.42 feet along said Railroad boundary and also along said Southerly
boundary of the S1/2NE1/4, Section 7, to an iron pin, thence
N. 31°10' 34" W., 331.26 feet along said Railroad boundary to an iron pin on the
intersection of said Railroad boundary with the Westerly boundary of said S1/2NE1/4,
Section 7; thence
N. 0°20' 40" W., 97.56 feet along said Westerly boundary of the S1/2NE1/4, Section 7,
and also along said Railroad boundary to an iron pin; thence
N. 31°10' 34" W., 2,570.24 feet along said Railroad boundary to an iron pin on the
intersection of said Railroad boundary with the Westerly boundary of the NE1/4NW1/4,
said Section 7; thence
N. 0°22' 13" W., 58.00 feet along said Westerly boundary of the NE1/4NW1/4, Section 7,
to an iron pin marking the Northwest corner of said NE1/4NW1/4, Section 7; thence

RECEIVED

SEP 11 2003

Department of Water Resources
Southern Region

LEGAL DESCRIPTION, CONTINUED

N. 89° 58' 18" W., 93.19 feet along the Southerly boundary of the SW1/4, Section 6, to an iron pin on the Northeasterly boundary of the said Union Pacific Railroad; thence N. 31° 10' 34" W., 2,353.23 feet along said Railroad boundary to an iron pin on the Westerly boundary of said SW1/4, Section 6; thence N. 0°37' 05" W., 604.70 feet along said Westerly boundary of the SW1/4, Section 6, to the TRUE POINT OF BEGINNING.

Also known as Tax Lot 7183.

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 SNAKE RIVER BASIN WATER SYSTEM.

CIVIL CASE NUMBER: 39576

Ident. Number: A37-00577BT
Date Received: 10/26/1988
Receipt No: C003852
Received By: _____

NOTICE OF CLAIM TO A WATER RIGHT
ACQUIRED UNDER STATE LAW

1. Name: SAWTOOTH TITLE CO., INC., TRUSTEES 312-426-4646
Address: G. CHAPMAN PETERSON & ASSOC.
C/O G. CHAPMAN PETERSON
RT. 5, SPRINGWOOD LAND
BARRINGTON HILLS, ID 60010

2. Date of Priority: MAR 24, 1883

3. Source: BIG WOOD RIVER Trib. to: MALAD RIVER

4. Point of Diversion:

| Township | Range | Section | 1/4 of | 1/4 of | 1/4 | Lot | County |
|----------|-------|---------|--------|--------|-----|-----|--------|
| 02N | 18E | 36 | SW | | NW | | BLAINE |

5. Description of diverting works:
HEADGATE #45 AND DISTRICT 45 CANAL

6. Water is used for the following purposes:

| Purpose | From | To | C.F.S. | (or) | A.F.A. |
|------------|-------|-------|--------|------|--------|
| IRRIGATION | 04/01 | 11/01 | 2.200 | | |

7. Total Quantity Appropriated is:
2.200 C.F.S. (and/or) A.F.A.

8. Total consumptive use is 865.0 Acre Feet Per Annum.

9. Non-irrigation uses:

10. Place of Use:

| Township | Range | Section | 1/4 of | 1/4 | Lot | Use | Acres |
|----------|-------|---------|--------|-----|-----|-----|-------|
| 01N | 19E | 6 | NE | SW | | IRR | 40.0 |
| | | | NW | SW | 6 | IRR | 38.0 |

A37-00577BT

Page 1

Date: 12/20/88

MICROFILMED
FEB 23 1993

10. Place of Use: Continued

| Township | Range | Section | 1/4 of | 1/4 | Lot | Use | Acres |
|----------|-------|---------|---------------|-----|-----|-----|-------|
| 01N | 19E | 6 | SW | SW | 7 | IRR | 39.0 |
| | | | SE | SW | | IRR | 40.0 |
| | | | SW | SE | | IRR | 13.0 |
| | | | Section Acres | | | | 170.0 |
| | | 7 | NW | NE | | IRR | 40.0 |
| | | | SW | NE | | IRR | 40.0 |
| | | | SE | NE | | IRR | 17.0 |
| | | | NE | NW | | IRR | 30.0 |
| | | | SE | NW | | IRR | 7.0 |
| | | | NE | SE | | IRR | 20.0 |
| | | | NW | SE | | IRR | 22.0 |
| | | | Section Acres | | | | 176.0 |
| | | | Total Acres | | | | 346.0 |

11. Place of use in counties: BLAINE

12. Do you own the property listed above as place of use? YES

13. Other Water Rights Used:

37-02630, 37-00482A, 37-0483, 37-0481

14. Remarks:

AMOUNT CONFIRMED THROUGH WATERMASTER RECORDS. SAWTOOTH TITLE CO., INC. HOLDS RECORD TITLE TO THE LANDS IDENTIFIED ABOVE AS THE PLACE OF USE AND TO THE WATER RIGHTS AS TRUSTEE FOR G. CHAPMAN PETERSON & ASSOC. - IDAHO, A GENERAL PARTNERSHIP. THE PARTNERSHIP HAS AUTHORIZED SAWTOOTH TITLE CO., INCL TO SIGN AND FILE THIS NOTICE OF CLAIM

15. Basis of Claim: DECREED

Case Number:

Court :

Decree date:

S.C. FROST ET AL.

Decree Plaintiff

vs

ALTURUS WATER CO. ET UX.

Decree Defendant

16. Signature(s)

(a.) By signing below, I/We acknowledge that I/We have received, read and understand the form entitled "How you will receive notice in the Snake River Basin Adjudication." (b.) I/We do _____ do not _____ wish to receive and pay a small annual fee for monthly copies of the docket sheet.

Number of attachments: _____

For Individuals:

I/We do solemnly swear or affirm that the statements contained in the foregoing document are true and correct.

Signature of Claimant(s): _____ Date: _____

_____ Date: _____

State of Idaho)
County of _____) SS.

Subscribed and sworn (or affirmed) before me this _____ day
of _____ 19 _____

Notary Public

Seal

Residing at _____

My Commission Expires _____

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 SNAKE RIVER BASIN WATER SYSTEM

CIVIL CASE NUMBER: 39356

Ident Number A37-00577Ac BT

Date Received

Receipt Number C003852

RECEIVED

DEC 19 1988

NOTICE OF CLAIM
TO A
WATER RIGHT
ACQUIRED UNDER STATE LAW

RECEIVED

OCT 23 1988

Department of Water Resources

Department of Water Resources
Southern Region Office

1. Name of Claimant(s): Sawtooth Title Co., Inc., as trustee for
G. Chapman Petersen & Associates - Idaho
Phone: (312) 426-4646
Mailing Address: c/o G. Chapman Petersen
Rt. 5, Springwood Lane
Barrington Hills, IL 60010

2. Date of Priority: March 24, 1883
3. Source of water supply (a) Big Wood River
which is tributary to (b) Malad River
4. a. Location of point of diversion is:

| <u>Township</u> | <u>Range</u> | <u>Section</u> | <u>1/4</u> | <u>1/4</u> | <u>1/4</u> | <u>Lot</u> | <u>County</u> |
|-----------------|--------------|----------------|------------|------------|------------|------------|---------------|
| 2N | 18E | 36 | | SW | NW | | Blaine |

Additional points of diversion if any: None.

- b. If instream flow, beginning point:

| <u>Township</u> | <u>Range</u> | <u>Section</u> | <u>1/4</u> | <u>1/4</u> | <u>1/4</u> | <u>Lot</u> | <u>County</u> |
|-----------------|--------------|----------------|------------|------------|------------|------------|---------------|
|-----------------|--------------|----------------|------------|------------|------------|------------|---------------|

Ending point:

| <u>Township</u> | <u>Range</u> | <u>Section</u> | <u>1/4</u> | <u>1/4</u> | <u>1/4</u> | <u>Lot</u> | <u>County</u> |
|-----------------|--------------|----------------|------------|------------|------------|------------|---------------|
|-----------------|--------------|----------------|------------|------------|------------|------------|---------------|

5. Description of existing diversion works: Headgate #45 and District
45 Canal.

MICROFILMED
FEB 23 1993

6. Water is claimed for following purposes:

| <u>Purpose</u> | <u>From</u> | <u>To</u> | <u>Amount</u> |
|----------------|-------------|------------|---------------|
| Irrigation | April 1 | November 1 | 2.20 cfs |

7. Total Quantity Claimed: 2.20 cfs

8. Total consumptive use claimed is 865 acre feet per annum.

9. Non-irrigation uses: None.

10. Place of use:

| <u>Township</u> | <u>Range</u> | <u>Section</u> | <u>1/4</u> | <u>1/4</u> | <u>Use</u> | <u>Irrig. Acres</u> |
|-----------------|--------------|----------------|------------|------------|------------|---------------------|
| 1N | 19E | 6 | NE | SW | I | 40 |
| 1N | 19E | 6 | NW | SW(Lot 6) | I | 38 |
| 1N | 19E | 6 | SW | SW(Lot 7) | I | 39 |
| 1N | 19E | 6 | SE | SW | I | 40 |
| 1N | 19E | 6 | SW | SE | I | 13 |
| 1N | 19E | 7 | NW | NE | I | 40 |
| 1N | 19E | 7 | SW | NE | I | 40 |
| 1N | 19E | 7 | SE | NE | I | 17 |
| 1N | 19E | 7 | NE | NW | I | 30 |
| 1N | 19E | 7 | SE | NW | I | 7 |
| 1N | 19E | 7 | NE | SE | I | 20 |
| 1N | 19E | 7 | NW | SE | I | 22 |

Total number of irrigated acres: 346

11. Place of use is located in Blaine County.

12. Do you own the property listed above as place of use? Yes.

13. Describe any other water rights used at the same place and for the same purposes as described above? 37-2630, 37-0481, 37-0482A, 37-0483.

14. Remarks: This right is a portion of the right originally decreed to W. T. Riley in S.C. Frost et al. v. Alturus Water Co. et ux.. Amount confirmed through watermaster records. Sawtooth Title Co., Inc. holds record title to the lands identified above as the place of use and to the water rights as trustee for G. Chapman Petersen & Associates - Idaho, a general partnership. The partnership has authorized Sawtooth Title Co., Inc. to sign and file this Notice of Claim (see attachment).

Last Name: Sawtooth Title

Ident No. _____

MICROFILMED
FEB 23 1993

15. Basis of Claim: Decree
IDWR Water Right Number: 37-0577AC
Court: Lincoln County
Case Number:
Decree Date: December 13, 1909
Plaintiff v. Defendant:
S.C. Frost et al. v. Alturus Water Co. et ux.

16. Signature(s)
(a) By signing below, I/We acknowledge that I/We have received, read and understand the form entitled "How you will receive notice in the Snake River Basin Adjudication." (b) I/We do not wish to receive and pay a small annual fee for monthly copies of the docket sheet. Number of attachments - 1.

[For Organizations] I do solemnly swear or affirm that I am President of Sawtooth Title Co., Inc., that I have signed the foregoing document in the space below as President of Sawtooth Title Co., Inc. and that the statements contained in the foregoing document are true and correct.

Signature of Authorized Agent *Amy St. John*

Title of Organization Sawtooth Title Co., Inc. Date Oct 24, 1988

State of IDaho)
County of BLAINE) ss.

Subscribed and sworn before me this 24th day of October, 1988.

Notary Public *James P. Speck*

Residing at East Fork, ID

Commission Expires 1/24/91

17. Notice of Appearance:

Notice is hereby given that I, James P. Speck, will be acting as attorney at law of the claimant signing above, and that all notices required by law to be mailed by the director to the claimant signing above should be mailed to the address listed below.

Signature: *James P. Speck*

James P. Speck
Hogue, Speck & Aanestad
P.O. Box 987
Ketchum, ID 83340

Date: 10/29/88

Last Name: Sawtooth Title
a:\ptrsen3.clm

Ident No.: _____

MICROFILMED
FEB 23 1993

IDAHO DEPARTMENT OF WATER RESOURCES
PRELIMINARY RECOMMENDATION OF WATER RIGHTS ACQUIRED UNDER STATE LAW

EXPLANATORY MATERIAL: BASIS OF CLAIM - Decreed



Idaho Department of Water Resources

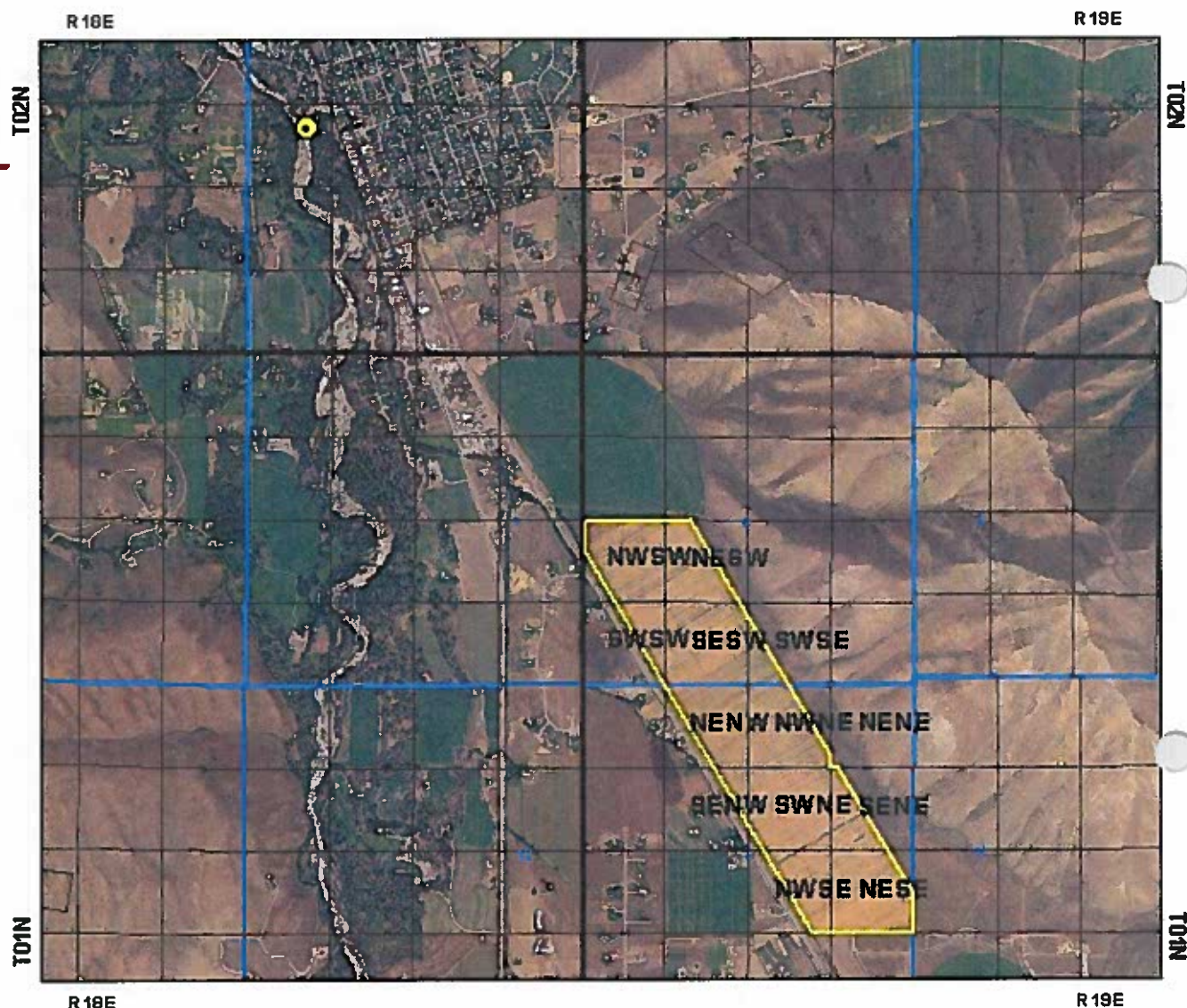
SRBA Recommendation:
37-482H, 37-481C,
37-483C, 37-577BT

Legend

- Point of Diversion
- Place of Use
- Townships
- PLS Sections
- Quarter Quarters



Blaine County
IDWR Basin 37



0 1 2 Miles

Prepared by N. Erickson
On Friday, November 24, 2006
2004 Aerial Photography

Reardon, Daniel

1/2 of SW 1/4 of Sec. 20, T. 1 S., R. 21 E.,
containing 160 acres.

Reedy, Mrs. Hannah H.

NW 1/4 of Sec. 12, T. 1 S., R. 17 E., containing
160 acres. Also, S 1/2 of NE 1/4 and N 1/2
of SE 1/4 of Sec. 12, T. 1 S., R. 17 E. Also,
N 1/2 of NE 1/4 of Sec. 13, and S 1/2 of SE 1/4
of Sec. 12, T. 1 S., R. 17 E.

Reedy, Mrs. Joseph H.

E 1/2 of SW 1/4, and S 1/2 of NW 1/4 of Sec. 29,
T. 2 N., R. 14 E., containing 160 acres.
NE 1/4 (except 15 acres in NE corner) of Sec. 33,
T. 1 N., R. 14 E., containing 145 acres.
Also, commencing at NE corner of said Sec. 33,
and running thence W 32 rods, thence S 108
rods, thence E 32 rods, thence N to place of
beginning, containing 22 acres.

Rhodes, James M.,
Trustee.

SE 1/4 of SW 1/4 of Sec. 12, NE 1/4 of NW 1/4,
and NW 1/4 of NE 1/4 of Sec. 13, T. 4 N.,
R. 17 E.

Rice, C. P.

SW 1/4 of Sec. 25, T. 1 S., R. 17 E., containing
160 acres. Also, SW 1/4 of NW 1/4 of Sec. 25,
E 1/2 of NE 1/4, and NE 1/4 of SE 1/4 of Sec.
26, T. 1 S., R. 17 E., containing 160 acres.

Richards, S. P.

W 1/2 of NE 1/4 of Sec. 35, T. 1 S., R. 21 E.,
containing 80 acres. Also, SW 1/4 of SE 1/4
of Sec. 26, T. 1 S., R. 21 E.

Riley, W. T.

Description of lands lying under the so-
called Riley ditch, and susceptible of irri-
gation therefrom:

Bigwood River

March 24, 1883

5595" = 111.9 cys??

Lands situated in Sections 28, 29, and 33,
T. 3 N., R. 18 E., and Sections 4, 5, 8, 9, 10,
15, 16, 22, 23, 25 and 26, T. 2 N., R. 18 E.

Claimant Name:
South County Estates LLC

Attorney Name & Address:
James P. Speck, ISB#2067
Speck & Aanestad
A Professional Corporation
120 East Avenue
P. O. Box 987
Ketchum, Idaho 83340
(208) 726-4421
FAX: (208) 726-0752

37-577 BT
37-481C
37-482H
RECEIVED 37-483C
OCT 13 2005 37-2630
Department of Water Resources
Southern Region

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

In Re SRBA

Case No. 39576

)
)
)
)
)
)

NOTICE OF APPEARANCE

DESCRIPTIVE SUMMARY

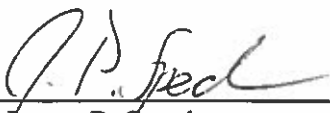
This is a notice of appearance by counsel on behalf of the new claimant and purchaser of the water rights identified below.

NOTICE OF APPEARANCE

The law firm of Speck & Aanestad, A Professional Corporation, hereby enters its appearance in the action on behalf of Claimant, South County Estates LLC, for the following water rights which are not the subject of any subcases: 37-481, 37-482, 37-483, 37-577 and 37-2630.

DATED this 11th day of October, 2005.

SPECK & AANESTAD
A Professional Corporation

By 
James P. Speck

CERTIFICATE OF SERVICE

I hereby certify that on the 11 day of October, 2005, I served a true and correct copy of the foregoing NOTICE OF APPEARANCE on the following persons in the manner designated below:

Chief, Natural Resources Division
Office of the Attorney General, State of Idaho
P. O. Box 44449
Boise, ID 83711-4449

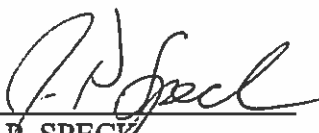
- ☒ United States Mail, Postage Prepaid
- ☐ Hand Delivery
- ☐ Facsimile, with copy by United States Mail, Postage Prepaid

The United States Department of Justice
Environmental and Natural Resources
Division
550 West Fort Street
Box 33
Boise, ID 83724

- ☒ United States Mail, Postage Prepaid
- ☐ Hand Delivery
- ☐ Facsimile, with copy by United States Mail, Postage Prepaid

Idaho Department of Water Resources
Document Depository
P.O. Box 83720
Boise, ID 83720-0098

- ☒ United States Mail, Postage Prepaid
- ☐ Hand Delivery
- ☐ Facsimile, with copy by United States Mail, Postage Prepaid


JAMES P. SPECK

SPECK & AANESTAD

A PROFESSIONAL CORPORATION
ATTORNEYS

120 EAST AVENUE
POST OFFICE BOX 987
KETCHUM, IDAHO 83340

JAMES P. SPECK
jimspeck@cox-internet.com
DOUGLAS J. AANESTAD
aanestad@cox-internet.com

TELEPHONE
(208) 726-4421
FACSIMILE
(208) 726-0752

October 11, 2005

RECEIVED
OCT 13 2005
Department of Water Resources
Southern Region

Mr. Allen Merritt
Idaho Department of Water Resources
1341 Fillmore, Suite 200
Twin Falls ID 83301

**RE: Water Right Nos. 37-481, 37-482, 37-483, 37-577 and 37-2630
Claimant South County Estates LLC
Our File No.: 171/020196**

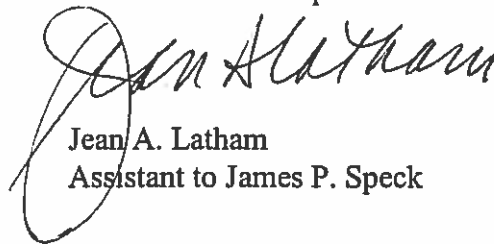
Dear Allen:

Enclosed you will find an original and one copy of the Notice of Appearance for filing for the above referenced water rights. After you have receipt date stamped the copy of the Notice of Appearance, please return it to me in the enclosed postage paid envelope.

Thank you for your assistance.

Sincerely,

SPECK & AANESTAD
A Professional Corporation



Jean A. Latham
Assistant to James P. Speck

:jal

enclosure

cc: Client (w/encl.)
Chief, Natural Resources Division (w/encl.)
U.S. Dept. Of Justice Environmental & Natural Resources Division (w/encl.)
IDWR (w/encl.)



ARTICLES OF ORGANIZATION LIMITED LIABILITY COMPANY

(Instructions on back of application)

FILED
AUG -7 A 9:09
SECRETARY OF STATE
STATE OF IDAHO

1. The name of the limited liability company is:

South County Estates, L.L.C.

2. The street address of the initial registered office is:

500 South Main St., Suite 204, Ketchum, ID 83340

and the name of the initial registered agent at the above address is:

John Scherer

3. The mailing address for future correspondence is:

c/o John Scherer, P.O. Box 2127, Ketchum, ID 83340

4. Management of the limited liability company will be vested in:

Manager(s) ☐ or Member(s) ☒ (please check the appropriate box)

5. If management is to be vested in one or more manager(s), list the name(s) and address(es) or at least one initial manager. If management is to be vested in the member(s), list the name(s) and address(es) of at least one initial member.

Name

Address

John Scherer

P.O. Box 1539, Ketchum, ID 83340

6. Signature of at least one person responsible for forming the limited liability company:

Signature: [Signature]

Typed Name: John Scherer

Capacity: Member

Signature: _____

Typed Name: _____

Capacity: _____

Secretary of State use only

g:\corp\forms\LLC\forms\articles\organization.pdf
Revised 07/2002

IDAHO SECRETARY OF STATE
08/07/2003 05:00
CK: 1277 CT: 112455 BH: 695109
1 @ 100.00 = 100.00 ORGAN LLC # 2

W 25422

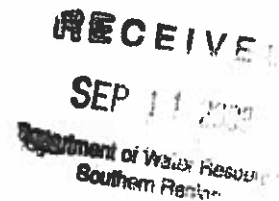
SUN VALLEY
TITLE
C O M P A N Y



September 10, 2003

IDWR Southern Region
1341 Fillmore St., Suite 200
Twin Falls, ID 83301-3380

Re: 02-18525
South County Estates, LLC



To Whom It May Concern:

I am enclosing the following items relating to the above closing:

- Notice of Change in Water Right Ownership
- Warranty Deed to John Scherer for Parcel I
- Quitclaim Deed to John Scherer for Parcel II
- Quitclaim Deed to John Scherer/for water rights-attachment
- Quitclaim Deed to John Scherer for Parcels I and II/extinguishing community interest
- Warranty Deed to South County Estates from John Scherer for Parcels I and II
- Quitclaim Deed to South County Estates for water rights-attachment

Please transfer the water rights shown on the attachment to Quitclaim Deeds. If you have any questions, please contact me directly.

Sincerely,

Cassie Jones
Manager

October 8, 2003

**SUN VALLEY
TITLE**
C O M P A N Y



RECEIVED

OCT 09 2003

Department of Water Resources
Southern Office

IDWR Southern Region
1341 Fillmore St., Suite 200
Twin Falls, ID 83301-3380

To Whom It May Concern:

I am enclosing the State of Idaho Department of Water Resources Notice of Change In Water Right Ownership form signed by John Scherer and the recorded Quitclaim Deed for water rights.

I hope that this takes care of all the paper work. Thanks.

Sincerely,

Cassie Jones

Cassie Jones
Manager

WARRANTY DEED

FOR VALUE RECEIVED

G. CHAPMAN PETERSEN AND ASSOCIATES-IDAHO A LIMITED PARTNERSHIP

the grantor, does hereby grant, bargain, sell and convey unto

JOHN SCHERER, A MARRIED MAN

the grantee, whose current address is P. O. Box 1539, Ketchum, Id 83340

the following described premises, in BLAINE COUNTY, IDAHO, to wit:

See Exhibit 'A'

SUBJECT TO: Taxes, easements established or of record, restrictions and encumbrances of record, rights reserved in federal patents, state or railroad deeds, building or use restrictions, building and zoning regulations and ordinances of any governmental unit, existing agricultural lease(s), claims or rights arising from encroaching fence lines, if any.

TO HAVE AND TO HOLD the said premises, with their appurtenances unto the said Grantee and his heirs and assigns forever. And the said Grantor does hereby covenant to and with the said Grantee, that it is the owner in fee simple of said premises; that said premises are free from all encumbrances except as described above and that it will warrant and defend the same from all lawful claims whatsoever.

Dated: January 8, 2003

G. Chapman Petersen & Associates - Idaho

G. Chapman Petersen

By G. Chapman Petersen, General Partner

Elizabeth L. Petersen
By Elizabeth L. Petersen, General Partner

State of Idaho

County of Blaine

On this 9 day of January, 2003, Before me a Notary Public in and for said State, personally appeared G. Chapman Petersen and Elizabeth L. Petersen known or identified to me to be the general partners of G. Chapman Petersen and Associates - Idaho and the general partners who subscribed said partnership name to the within instrument, and acknowledged to me that they executed the same in said partnership name.

Cassie Jones
Notary Public

Residing at Hailey, IdComm. Expires 9-7-2006

RECEIVED
SEP 11 2003
Department of Water Resources
Southern Region



State of Idaho

DEPARTMENT OF WATER RESOURCES

1341 Fillmore Street, Suite 200, Twin Falls ID 83301-3380

Phone: (208) 736-3033 FAX: (208) 736-3037

SOUTHERN REGION

DIRK KEMPTHORNE
Governor

KARL J. DREHER
Director

October 10, 2003

SOUTH COUNTY ESTATES LLC
PO BOX 1539
KETCHUM ID 83340

Re: SRBA Claim #37-2630 #37-577BT #37-483C #37-481C

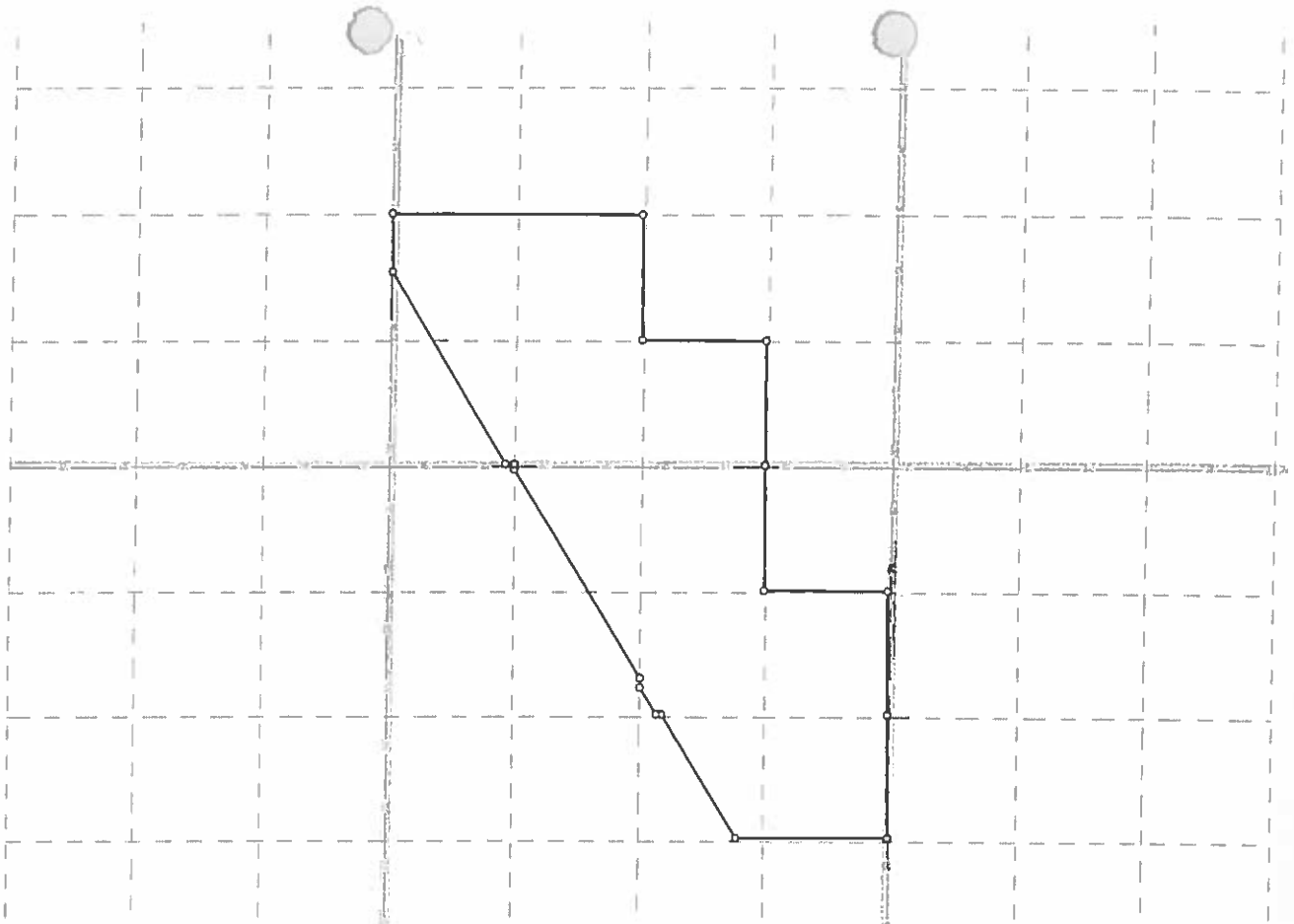
To whom it may concern:

Pursuant to the change in ownership request that has been submitted to the Department, we have changed the record of current ownerships to you. Please find the enclosed copies of the computer records of the claims noting the change in claimant. Review these records and if there is an error, or you have any questions, please contact this office.

Sincerely,

Carrie Hahn
Office Specialist

Enc.



| | | |
|--|-----------------------|-----------------------|
| Title: | | Date: 10-10-2003 |
| Scale: 1 inch = 2000 feet | File: | |
| Tract 1: 380.464 Acres: 16573003 Sq Feet: Closure = s48.3519e 1.53 Feet: Precision = 1/13736: Perimeter = 21069 Feet | | |
| 001=nw,sw,6,1n,19e | 008=s0.1506e 1308.14 | 015=n31.1034w 2570.24 |
| 002=s89.5145e 2608.44 | 009=s0.4530e 1308.60 | 016=n0.2213w 58.00 |
| 003=s0.3518e 1306.31 | 010=s89.5053w 1601.23 | 017=n89.5818w 93.19 |
| 004=s89.4245e 1308.89 | 011=n31.1034w 1533.07 | 018=n31.1034w 2353.23 |
| 005=s0.2510e 1309.70 | 012=s89.5826w 58.42 | 019=n0.3705w 604.70 |
| 006=s0.1454e 1313.45 | 013=n31.1034w 331.26 | |
| 007=s89.4736e 1303.96 | 014=n0.2040w 98.56 | |

HOGUE, SPECK & AANESTAD
A PROFESSIONAL ASSOCIATION
OF
ATTORNEYS
120 EAST AVENUE
POST OFFICE BOX 987
KETCHUM, IDAHO 83340

CERTIFIED
P 223 133 271
MAIL



RETURN RECEIPT
REQUESTED

Idaho Department of Water Resources
1301 N. Orchard Street
Statehouse Mail
Boise, Idaho 83720
Attn: H. Harrington

MICROFILMED
FEB 23 1993

A37-00577 BT - needs
notary seal.
+50
A37-00481C +50
A37-00482H +50
A37-00483C +50
A37-026030 +396

Receipt No: 0003852

MICROFILMED
FEB 23 1993

August 17, 1988

Mr. Avery Floyd
Sawtooth Title Co., Inc.
P.O. Box 188
Ketchum, ID 83340

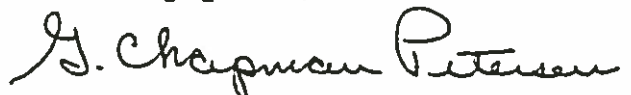
Re: G. Chapman Petersen and Associates - Idaho - Water Rights

Dear Mr. Floyd:

You are hereby authorized to sign, as the trustee holding record title to lands owned by G. Chapman Petersen and Associates - Idaho, any and all documents necessary to preserve, protect, and perfect water rights for that property including, but not limited to all claims to be filed in the Snake River Adjudication.

I am represented in these matters by Mr. James P. Speck of the law firm of Hogue, Speck & Aanestad. Mr. Speck will be preparing documents on our behalf and presenting them to you for your signature pursuant to these instructions.

Sincerely yours,



G. Chapman Petersen & Associates-Idaho
by G. Chapman Petersen, a general
partner

Rt. 5 Springwood Lane
Barrington Hills, IL 60010

cc: Mr. James P. Speck

MICROFILMED
FEB 23 1993

TERRY G. HOGUE
JAMES P. SPECK
DOUGLAS J. AANESTAD
J. STEPHEN CRABTREE
TRACY DUNLAP

HOGUE, SPECK & AANESTAD

A PROFESSIONAL ASSOCIATION
OF
ATTORNEYS
120 EAST AVENUE
POST OFFICE BOX 987
KETCHUM, IDAHO 83340
(208) 726-4421
TELECOPIER (208) 726-0752

HAILEY OFFICE:
16 WEST CROY STREET
SUITE K
POST OFFICE BOX 460
HAILEY, IDAHO 83333
(208) 788-3567

December 16, 1988

CERTIFIED MAIL

Idaho Department of Water Resources
1301 N. Orchard Street
Statehouse Mail
Boise, Idaho 83720
Attn: H. Harrington

RE: Notice of Claim to a Water Right - A37-00577BT

Dear Ms. Harrington:

Enclosed you will find the above-referenced Notice of Claim on which I previously forgot to impress my Notary Seal. This has now been done. I apologize for the inconvenience.

Sincerely yours,

HOGUE, SPECK & AANESTAD


James P. Speck

JPS/rlk
encl.

MICROFILMED
FEB 23 1993

Water Right Number - 37-00577AC

Adj. Flag Translation: Standard Water Right Number

Old (D) Number -

+ - - - - Last Name - - - - + + - First Name - - + + - - - - - Address - - - - - +

*** C - CURRENT OWNER ***
CRONE

D. H.

1 -
2 -
3 -

City- GANNETT

State- ID Zip- 83313

Phone -

*** O - ORIGINAL OWNER ***
RILEY

W. T.

1 -
2 -
3 -

City-

State- Zip-

Phone -

+ - - Priority Date - - + + - - - Region - - - + + - - - Stage - - - + + - - - Status - - - - +
03/24/1883 17 D - DECREED+ - - - - Source - - - - - + + - - - - - Tributary - - - - - +
BIG WOOD RIVER MALAD RIVER+ - - - - Rng - - - - - Point of Diversion - - - - - +
Twn Rng Sec Tract Lot RFlg County Stream Index (Blank if no Index Code)
02N 18E 36 NW NW (13) BLAINE+ - - - - Code - - - - - Description - - - - - Water Use - - - - - Diversion Rate - - - - - Diversion Volume - - - - - +
01 - IRRIGATION
43 - DOMESTIC 2.400+ - Total Div. Rate - + + - Total Div. Volume - + + - Total Div. Capacity - + + - Total Consumptive Use - + + - KW Usage - +
2.400+ - - - - - Place of Use - - - - - +
Twn Rng Sec Tract Lot Acres Code Description County
01N 19E 6 NE SW 01 IRRIGATION (13) BLAINE
01N 19E 6 NW SW 01 IRRIGATION (13) BLAINE
01N 19E 6 SW SW 7 01 IRRIGATION (13) BLAINE
01N 19E 6 SE SW 01 IRRIGATION (13) BLAINE
01N 19E 6 SW SE 01 IRRIGATION (13) BLAINE
01N 19E 7 NW NE 01 IRRIGATION (13) BLAINE
01N 19E 7 SW NE 01 IRRIGATION (13) BLAINE
01N 19E 7 SE NE 01 IRRIGATION (13) BLAINE
01N 19E 7 NE NW 01 IRRIGATION (13) BLAINE
01N 19E 7 SE NW 01 IRRIGATION (13) BLAINE
01N 19E 7 NE SE 01 IRRIGATION (13) BLAINE
01N 19E 7 NW SE 01 IRRIGATION (13) BLAINE

Total Acres:

MICROFILMED
FEB 23 1989

Water right number - 37-00577AC

Adj. flag translation: Standard Water Right Number

+ - - Diversion Means -

+ - - Non-Irrigation Use -

+ - - Other Rights for Same Use -

+ - - - - - Remarks - - - - - +
TRANS. 586. DOMESTIC USE ADDED BY TRANS.
AC. IRR. UNKNOWN.

+ - - - - - Conditions of Approval - - - - - +
No Conditions of Approval found.

+ - - - - Decree Plaintiff - - - + + - - - - Decree Defendant - - - + + - Decree Date - +
00/00/0000

+ - - Microfilm Rolls -

+ - - Audit Fields - 09/03/85 05/28/88 CONVERT

+ - - - - - Water Rights Dates and Flags Area - - - - - +

| | | | | | |
|------------------|--------------|-----------------|--------------|------------------|------|
| Proof Due Date | - 00/00/0000 | Field Exam Made | - 00/00/0000 | Field Exam Fee | - |
| Approved/Denied | - 00/00/0000 | Protested Date | - 00/00/0000 | Swan Falls | - |
| Proof Made Date | - 00/00/0000 | Hearing Date | - 00/00/0000 | Temporary Right | - P |
| Start Work Date | - 00/00/0000 | Verified Date | - 09/03/1985 | DLE/Carey Act | - |
| Order Show Cause | - 00/00/0000 | Receipt Number | - | Water District | - 37 |
| Licensed Date | - 00/00/0000 | Appl Received | - 00/00/0000 | Transfer/Amended | - P |
| Decree Date | - 00/00/0000 | | | | |

MICROFILMED
FEB 23 1993