

RECEIVED

OCT 28 2014

DEPT OF WATER RESOURCES
SOUTHERN REGION

Form 42-248/42-1409(6) Rev. 08/14

STATE OF IDAHO
DEPARTMENT OF WATER RESOURCES

Notice of Change in Water Right Ownership

1. List the numbers of all water rights and/or adjudication claim records to be changed. If you only acquired a portion of the water right or adjudication claim, check "Yes" in the "Split?" column. If the water right is leased to the Water Supply Bank, check "Yes". If you are not sure if the water right is leased to the Water Supply Bank, see #6 of the instructions.

Water Right/Claim No.	Split?	Leased to Water Supply Bank?	Water Right/Claim No.	Split?	Leased to Water Supply Bank?
37-22-915 37-481C	Yes ☒	Yes ☐		Yes ☐	Yes ☐
37-22-918 37-577BT	Yes ☒	Yes ☐		Yes ☐	Yes ☐
37-22-916 37-482H	Yes ☒	Yes ☐		Yes ☐	Yes ☐
37-22-917 37-483C	Yes ☒	Yes ☐		Yes ☐	Yes ☐
37-22-919 37-2630	Yes ☒	Yes ☐		Yes ☐	Yes ☐

2. Previous Owner's Name: South County Estates, LLC
Name of current water right holder/claimant
3. New Owner(s)/Claimant(s): First Security Corporation
New owner(s) as listed on the conveyance document Name connector ☐ and ☐ or ☐ and/or
- 401 W. Front Street, Suite 200 Boise ID 83702
Mailing address City State ZIP
(208) 292-1884 Dawn.Smith@iibk.net
Telephone Email
4. If the water rights and/or adjudication claims were split, how did the division occur?
☒ The water rights or claims were divided as specifically identified in a deed, contract, or other conveyance document.
☐ The water rights or claims were divided proportionately based on the portion of their place(s) of use acquired by the new owner.
5. Date you acquired the water rights and/or claims listed above: October 20, 2014
6. If the water right is leased to the Water Supply Bank changing ownership of a water right will reassign to the new owner any Water Supply Bank leases associated with the water right. Payment of revenue generated from any rental of a leased water right requires a completed IRS Form W-9 for payment to be issued to an owner. A new owner for a water right under lease shall supply a W-9. Water rights with multiple owners must specify a designated lessor, using a completed Lessor Designation form. Beginning in the calendar year following an acknowledged change in water right ownership, compensation for any rental will go to the new owner(s).
7. This form must be signed and submitted with the following **REQUIRED** items:
☒ A copy of the conveyance document – warranty deed, quitclaim deed, court decree, contract of sale, etc. The conveyance document must include a legal description of the property or description of the water right(s) if no land is conveyed.
☒ Plat map, survey map or aerial photograph which clearly shows the place of use and point of diversion for each water right and/or claim listed above (if necessary to clarify division of water rights or complex property descriptions).
☒ Filing fee (see instructions for further explanation):
o \$25 per undivided water right.
o \$100 per split water right.
o No fee is required for pending adjudication claims.
☐ If water right(s) are leased to the Water Supply Bank AND there are multiple owners, a Lessor Designation form is required.
☐ If water right(s) are leased to the Water Supply Bank, the individual owner or designated lessor must complete, sign and submit an IRS Form W-9.

8. Signature: [Signature] Vice President First Security Corp. 10/27/14
Signature of new owner/claimant Title, if applicable Date

Signature: _____
Signature of new owner/claimant Title, if applicable Date

For IDWR Office Use Only:

Received by [Signature] Date 10-28-2014 Receipt No. S034365 Receipt Amt. \$500-

Active in the Water Supply Bank? Yes ☐ No ☐ If yes, forward to the State Office for processing W-9 received? Yes ☐ No ☐

Name on W-9 _____ Approved by _____ Processed by _____ Date _____

SUPPORT DATA
37-481C

02/20/2007

IDAHO DEPARTMENT OF WATER RESOURCES
RECOMMENDED WATER RIGHTS ACQUIRED UNDER STATE LAW

RIGHT NUMBER: 37-481C
NAME AND ADDRESS: SOUTH COUNTY ESTATES LLC
PO BOX 1539
KETCHUM ID 83340
SOURCE: BIG WOOD RIVER
TRIBUTARY: MALAD RIVER
QUANTITY: 3.014 CFS
PRIORITY DATE: 08/01/1882
POINT OF
DIVERSION: T02N R18E S36 SWNW Within BLAINE County
Water diverted from Headgate #45 delivered through District Canal.

PURPOSE AND
PERIOD OF USE:

PLACE OF USE:	PURPOSE OF USE		PERIOD OF USE		QUANTITY
	IRRIGATION		04/15	10/31	3.014 CFS
	<u>IRRIGATION in BLAINE County</u>				
	T01N R19E S06	NESW	24.00	T01N R19E S06 Lot 6 NWSW	33.00
	T01N R19E S06 Lot 7 SWSW		12.00	T01N R19E S06	39.00
	T01N R19E S06	SWSE	8.50	T01N R19E S07	31.00
	T01N R19E S07	SWNE	38.00	T01N R19E S07	15.00
	T01N R19E S07	NENW	28.00	T01N R19E S07	5.50
	T01N R19E S07	NESE	35.00	T01N R19E S07	20.00

289 ACRES TOTAL

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.

OTHER PROVISIONS NECESSARY FOR DEFINITION OR ADMINISTRATION OF THIS WATER RIGHT:

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.

EXPLANATORY MATERIAL: BASIS OF CLAIM - Decreed

EXHIBIT A
1 of 5

02/20/2007

IDAHO DEPARTMENT OF WATER RESOURCES
RECOMMENDED WATER RIGHTS ACQUIRED UNDER STATE LAW

RIGHT NUMBER: 37-577BT
NAME AND ADDRESS: SOUTH COUNTY ESTATES LLC
PO BOX 1539
KETCHUM ID 83340
SOURCE: BIG WOOD RIVER
QUANTITY: 2.200 CFS
PRIORITY DATE: 03/24/1883
POINT OF DIVERSION: T02N R18E S36 SWNW Within BLAINE County
Water diverted from Headgate #45 delivered through District Canal.

TRIBUTARY: MALAD RIVER

PURPOSE AND PERIOD OF USE:

PURPOSE OF USE	PERIOD OF USE	QUANTITY
IRRIGATION	04/15 10/31	2.200 CFS
PLACE OF USE: IRRIGATION in BLAINE County		
T01N R19E S06 NESW	24.00	T01N R19E S06 Lot 6 NWSW 33.00
T01N R19E S06 Lot 7 SWSW	12.00	T01N R19E S06 SESW 39.00
T01N R19E S06 SWSE	8.50	T01N R19E S07 NWNE 31.00
T01N R19E S07 SWNE	38.00	T01N R19E S07 SENE 15.00
T01N R19E S07 NENW	28.00	T01N R19E S07 SENW 5.50
T01N R19E S07 NESE	35.00	T01N R19E S07 NWSE 20.00

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EXPLANATORY MATERIAL: BASIS OF CLAIM - Decreed

EXHIBIT A
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02/20/2007

IDAHO DEPARTMENT OF WATER RESOURCES
RECOMMENDED WATER RIGHTS ACQUIRED UNDER STATE LAW

RIGHT NUMBER: 37-482H
NAME AND ADDRESS: SOUTH COUNTY ESTATES LLC
PO BOX 1539
KETCHUM ID 83340
SOURCE: BIG WOOD RIVER
QUANTITY: 3.012 CFS
PRIORITY DATE: 08/01/1884
POINT OF DIVERSION: T02N R18E S36 SWNW Within BLAINE County
Water diverted from Headgate #45 delivered through District Canal.

TRIBUTARY: MALAD RIVER

PURPOSE AND PERIOD OF USE:

	PURPOSE OF USE	PERIOD OF USE	QUANTITY
	IRRIGATION	04/15 10/31	3.012 CFS
PLACE OF USE:	IRRIGATION in BLAINE County		
	T01N R19E S06	NESW 24.00	T01N R19E S06 Lot 6 NWSW 33.00
	T01N R19E S06 Lot 7	SWSW 12.00	T01N R19E S06 SESW 39.00
	T01N R19E S06	SWSW 8.50	T01N R19E S07 NWNE 31.00
	T01N R19E S07	SWNE 38.00	T01N R19E S07 SENE 15.00
	T01N R19E S07	NENW 28.00	T01N R19E S07 SENW 5.50
	T01N R19E S07	NESE 35.00	T01N R19E S07 NWSE 20.00

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EXPLANATORY MATERIAL: BASIS OF CLAIM - Decreed

EXHIBIT A
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IDAHO DEPARTMENT OF WATER RESOURCES
RECOMMENDED WATER RIGHTS ACQUIRED UNDER STATE LAW

02/20/2007

RIGHT NUMBER: 37-483C
NAME AND ADDRESS: SOUTH COUNTY ESTATES LLC
PO BOX 1539
KETCHUM ID 83340
SOURCE: BIG WOOD RIVER
QUANTITY: 15.086 CFS
PRIORITY DATE: 08/01/1902
POINT OF
DIVERSION: T02N R18E S36 SWNW Within BLAINE County
Water diverted from Headgate #45 delivered through District Canal.

TRIBUTARY: MALAD RIVER

PURPOSE AND
PERIOD OF USE:

PURPOSE OF USE	PERIOD OF USE	QUANTITY
IRRIGATION	04/15 10/31	15.086 CFS
PLACE OF USE: IRRIGATION in BLAINE County		
T01N R19E S06 NESW	24.00	T01N R19E S06 Lot 6 NWSW 33.00
T01N R19E S06 Lot 7 SWSW	12.00	T01N R19E S06 SRSW 39.00
T01N R19E S06 SWSE	8.50	T01N R19E S07 NWNE 31.00
T01N R19E S07 SWNE	38.00	T01N R19E S07 SENE 15.00
T01N R19E S07 NENW	28.00	T01N R19E S07 SENW 5.50
T01N R19E S07 NESE	35.00	T01N R19E S07 NWSE 20.00
289 ACRES TOTAL		

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.

OTHER PROVISIONS NECESSARY FOR DEFINITION OR ADMINISTRATION OF THIS WATER RIGHT:

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EXPLANATORY MATERIAL: BASIS OF CLAIM - Decreed

EXHIBIT A
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IDAHO DEPARTMENT OF WATER RESOURCES
RECOMMENDED WATER RIGHTS ACQUIRED UNDER STATE LAW

02/20/2007

RIGHT NUMBER: 37-2630

NAME AND ADDRESS: SOUTH COUNTY ESTATES LLC
PO BOX 1539
KETCHUM ID 83340

SOURCE: GROUND WATER

TRIBUTARY:

QUANTITY: 3.750 CFS
1,011.50 AFY

PRIORITY DATE: 02/02/1960

POINT OF
DIVERSION: T01N R19E S6 NWNWSW Within BLAINE County

PURPOSE AND
PERIOD OF USE:

	<u>PURPOSE OF USE</u>	<u>PERIOD OF USE</u>	<u>QUANTITY</u>
	IRRIGATION	04/15 10/31	3.750 CFS 1,011.50 AFY
PLACE OF USE:	<u>IRRIGATION in BLAINE County</u>		
	T01N R19E S06 NESW 24.00	T01N R19E S06 Lot 6 NWSW	33.00
	T01N R19E S06 Lot 7 SWSW 12.00	T01N R19E S06 SESW	39.00
	T01N R19E S06 SWSE 8.50	T01N R19E S07 NWNE	31.00
	T01N R19E S07 SWNE 38.00	T01N R19E S07 SENE	15.00
	T01N R19E S07 NENW 28.00	T01N R19E S07 SENW	5.50
	T01N R19E S07 NESE 35.00	T01N R19E S07 NWSE	20.00

289 ACRES TOTAL

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.

OTHER PROVISIONS NECESSARY FOR DEFINITION OR ADMINISTRATION OF THIS WATER RIGHT:

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.

EXPLANATORY MATERIAL: BASIS OF CLAIM - License

EXHIBIT A
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Instrument # 622055

HAILEY, BLAINE, IDAHO
10-20-2014 11:32:17 No. of Pages: 5
Recorded for : HAWLEY TROXELL
JOLYNN DRAGE Fee: 22.00
Ex-Officio Recorder Deputy
Index to: MISC DEEDS

**NON-MERGER DEED IN LIEU OF FORECLOSURE WITH RETENTION OF DEFICIENCY RIGHTS
AND NOTICE OF WAIVER OF REDEMPTION RIGHTS**

FOR VALUE RECEIVED, JOHN SCHERER, a married man as his sole and separate property, and CHARLES HOLT, a married man as his sole and separate property (collectively "**Grantor**"), do hereby grant, bargain, sell, and convey unto IDAHO INDEPENDENT BANK or assigns ("**Grantee**"), whose address is 1260 W. Riverstone Dr., Coeur d'Alene, Idaho 83814, all of the water rights, described in Exhibit 1, attached hereto and by this reference incorporated herein, situated in Blaine County, Idaho, TOGETHER with any and all claims, permits, licenses, decrees, and applications to, regarding or connected with such water rights, all water, watercourses and ditch rights (including stock in utilities with ditch or irrigation rights), and appurtenances thereunto belonging or in anywise appertaining, the reversion and reversions, remainder and remainders, rents, issues, and profits thereof, and all estate, right, title, and interest in and to the water rights, as well in law as in equity (all of which are collectively referred to as the "**Property**").

TO HAVE AND TO HOLD the Property unto Grantee, its successors, assigns, and transferees forever and Grantor does hereby covenant to and with Grantee and Grantee's successors, assigns and transferees that it is the owner in fee simple of the Property and has the right and authority to convey the same to Grantee; that Grantee, and Grantee's successors, assigns and transferees shall enjoy the quiet and peaceful possession of the Property; that Grantor will, on demand of Grantee, or Grantee's successors, assigns or transferees, and at the expense of Grantor, execute any document or instrument necessary for the further assurance of the title to the Property that may be reasonably required; and that Grantor will warrant and defend the title conveyed herein to Grantee, and Grantee's successors, assigns and transferees against all lawful claims whatsoever.

TO HAVE AND TO HOLD the Property unto Grantee, its successors, assigns, and transferees forever, and Grantor does hereby covenant that the Property is free from all encumbrances and liens, except for that certain Mortgage executed by Grantor to Grantee, dated June 10, 2009, and recorded on June 25, 2009, as Instrument No. 568682, and that certain Acknowledgment of Mortgage executed by Waterford Partners III, LLC, as "**Borrower**", to Grantee dated July 17, 2009, and recorded on July 17, 2009, as Instrument No. 569399, both in the records of Blaine County, Idaho (collectively, the "**Mortgage**").

This Non-Merger Deed in Lieu of Foreclosure with Retention of Deficiency Rights and Notice of Waiver of Redemption Rights ("**Deed**") is absolute in effect and conveys to Grantee full, fee simple title in the Property. This Deed does not operate as a mortgage, trust deed, trust conveyance, or security device of any kind. Grantor acknowledges that the Mortgage is valid and binding and shall remain in full force and effect. This Deed does not effect a merger of the fee ownership and the lien of the Mortgage. The fee and the lien shall hereafter remain separate and distinct. Grantee reserves Grantee's rights to foreclose the Mortgage at any time as to any party with any claim, interest, or lien on the Property.

This Deed is made pursuant to and in accordance with the terms of the Estoppel Affidavit dated effective of even date herewith executed by Borrower, Grantor, and John Scherer, individually, and Charles Holt, individually, each as a Guarantor (collectively, "**Guarantors**"). The consideration for this Deed is valuable and includes Borrower's, Grantor's and Guarantors' desire to decrease the amount of the obligations owed by Borrower and Guarantors, pursuant to the terms of a Promissory Note dated June 10, 2009, as renewed, modified or amended from time to time, initially executed by, and secured

against the Property by the Mortgage, and any other amounts owed by Borrower, Grantor or Guarantors to Grantee. In executing this Deed, Borrower, Grantor and Guarantors expressly acknowledge that this Deed is not intended to and does not discharge the indebtedness that is secured by the Mortgage. Further, Grantee retains its deficiency rights as set forth in the Estoppel Affidavit.

The possession of the Property has been or will be promptly surrendered to Grantee. Grantor further covenants with Grantee that Grantee shall enjoy the same without any loss or disturbance, and that Grantor and all persons having or acquiring any interest in the Property through or for Grantor will, on demand, execute and deliver to Grantee any further assurances of the same as may be reasonably required.

This Deed is made as a result of the request of Grantor and is made of its free and voluntary act without undue influence or coercion from Grantee or any other party. At the time of the execution of this Deed, Grantor believes that the indebtedness secured by the Mortgage does exceed the fair market value of the Property. Grantee shall have the option and right to defer recording this Deed if it so elects until such time as it deems appropriate.

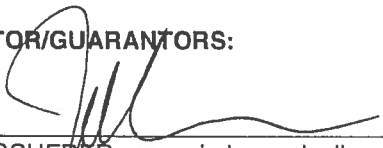
Grantor does hereby irrevocably waive, surrender, convey, and relinquish any equity of redemption and statutory rights of redemption whatsoever which Grantor may now or hereafter have in and to or concerning the Property, and acknowledges that this Deed is not executed by virtue of any misrepresentation of Grantee, its agents, attorneys, or any other person. The warranties and representations made by Grantor as herein set forth are for the protection of Grantee and all other parties who hereafter acquire an interest in the Property and shall be binding upon the respective heirs, trustees, beneficiaries, executors, and assigns of Grantor.

The execution, delivery and performance of this Deed, (i) has been duly authorized and does not require the consent or approval of any governmental body or other regulatory authority or any other person or entity, and (ii) is not in contravention of or in conflict with any law or regulation, and (iii) is enforceable against Grantor, Borrower and Guarantors, in accordance with the terms herein. Further, John Scherer and Charles Holt represent and warranty that they have sole authority to enter into this Deed on behalf of Borrower and execute the documents in conformance thereof.

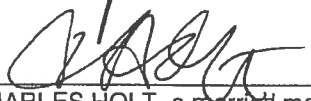
Grantor acknowledges and agrees that the acceptance by Grantee of title to the Property shall not create any obligations on the part of Grantee and/or its assigns to third parties that may have claims of any kind whatsoever against the Grantor. No person not a party to this Deed shall have any "third party beneficiary" status or other rights hereunder.

DATED effective the 2 day of SEPT, 2014.

GRANTOR/GUARANTORS:



JOHN SCHERER, a married man dealing with his sole and separate property



CHARLES HOLT, a married man dealing with his sole and separate property

NON-MERGER DEED IN LIEU OF FORECLOSURE WITH RETENTION OF DEFICIENCY RIGHTS AND
NOTICE OF WAIVER OF REDEMPTION RIGHTS - 2

40986.0058.5273742.5

BORROWER:

WATERFORD PARTNERS III, LLC

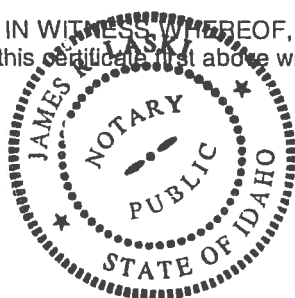
By: [Signature]
JOHN SCHERER, Member

By: [Signature]
CHARLES HOLT, Member

STATE OF IDAHO)
) ss.
County of Blaine)

On this 2nd Sept day of August, 2014, before me, James R Laski, 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 foregoing instrument, and acknowledged to me that he executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.



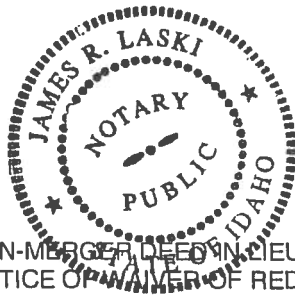
[Signature]

Notary Public for Idaho
Residing at Blaine County
My commission expires Aug 3, 2017

STATE OF IDAHO)
) ss.
County of Blaine)

On this 2nd Sept day of August, 2014, before me, James R Laski, a Notary Public in and for said state, personally appeared CHARLES HOLT, known or identified to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.



[Signature]

Notary Public for Idaho
Residing at Blaine County
My commission expires Aug 3, 2017

NON-MERGER DEED IN LIEU OF FORECLOSURE WITH RETENTION OF DEFICIENCY RIGHTS AND NOTICE OF WAIVER OF REDEMPTION RIGHTS - 3

STATE OF IDAHO

)
) ss.

County of Blaine

On this 2nd sept day of August, 2014, before me, James R Laski, a Notary Public in and for said State, personally appeared JOHN SCHERER, known or identified to me to be a member of WATERFORD PARTNERS III, LLC, or the person who executed the instrument on behalf of said limited liability company and acknowledged to me that such limited liability company executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.



A handwritten signature of James R. Laski in black ink.

Notary Public for Idaho

Residing at Blaine County

My commission expires Aug 3, 2017

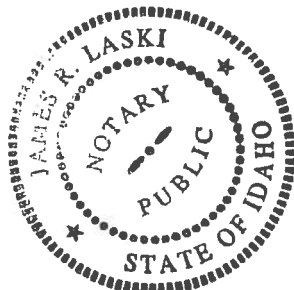
STATE OF IDAHO

)
) ss.

County of Blaine

On this 2nd sept day of August, 2014, before me, James R Laski, a Notary Public in and for said State, personally appeared CHARLES HOLT, known or identified to me to be a member of WATERFORD PARTNERS III, LLC, or the person who executed the instrument on behalf of said limited liability company and acknowledged to me that such limited liability company executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.



A handwritten signature of James R. Laski in black ink.

Notary Public for Idaho

Residing at Blaine County

My commission expires Aug 3, 2017

**EXHIBIT 1
LEGAL DESCRIPTION**

An undivided 7.5/289ths 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, R19E	(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.

Recording Requested By and
When Recorded Return to:

First Security Corporation
401 W. Front Street
Boise, ID 83702

Instrument # 622056

HAILEY, BLAINE, IDAHO
10-20-2014 11:34:46 No. of Pages: 3
Recorded for : HAWLEY TROXELL
JOLYNN DRAGE Fee: 16.00
Ex-Officio Recorder Deputy
Index to: WTY/QC/CORP DEED

JB

SPACE ABOVE THIS LINE FOR RECORDER'S USE ONLY

WARRANTY DEED

This Warranty Deed is made this 15th day of October, 2014, between IDAHO INDEPENDENT BANK, hereinafter called the "**Grantor**," and FIRST SECURITY CORPORATION, which has a current mailing address of 401 W. Front Street, Boise, Idaho 83702, hereinafter called the "**Grantee**" witnesseth:

That Grantor has granted and does, by these presents, grant, bargain, sell, convey, and confirm unto Grantee and Grantee's successor and assigns forever, all of the water rights, described in Exhibit 1, attached hereto and by this reference incorporated herein, situated in Blaine County, Idaho, TOGETHER with any and all claims, permits, licenses, decrees, and applications to, regarding or connected with such water rights, all water, watercourses and ditch rights (including stock in utilities with ditch or irrigation rights), and appurtenances thereunto belonging or in anywise appertaining, the reversion and reversions, remainder and remainders, rents, issues, and profits thereof, and all estate, right, title, and interest in and to the water rights, as well in law as in equity (all of which are collectively referred to as the "**Property**")

To have and to hold the Property together unto Grantee and Grantee's successors and assigns forever.

Subject to those exceptions made, suffered or done by Grantee, or Grantee's successors and assigns; Grantor covenants to Grantee, and Grantee's successors and assigns: that Grantee, and Grantee's successors and assigns shall enjoy the quiet and peaceful possession of the Property; that Grantor is lawfully seized of the Property in fee simple and has the right and authority to convey the same to Grantee; that Grantor will, on demand of Grantee, or Grantee's successors or assigns, and at the expense of Grantor, execute any document or instrument necessary for the further assurance of the title to the Property that may be reasonably required; that Grantor's title to the Property is merchantable and free from all liens and encumbrances; and that Grantor will warrant and defend the title conveyed herein to Grantee, and Grantee's successors and assigns against all lawful claims whatsoever.

WARRANTY DEED - 1

40986.0058.6937429.1

IN WITNESS WHEREOF, Grantor has hereunto set its hand on the day and year first above written.

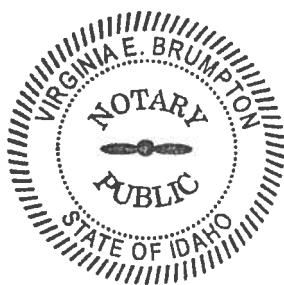
IDAHO INDEPENDENT BANK

By: M. Rigby
Name: Molly Rigby
Title: Vice President

STATE OF IDAHO)
) ss.
County of Ada)

On this 15th day of October, 2014, before me, Virginia E Brumpton a Notary Public in and for said State, personally appeared Molly Rigby, known or identified to me to be a Vice President of IDAHO INDEPENDENT BANK, the corporation that executed the within instrument or the person who executed the instrument on behalf of said corporation, and acknowledged to me that such corporation executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.



Virginia E Brumpton
Notary Public for Idaho
Residing at Star 1 D
My commission expires 10-27-18

EXHIBIT 1

LEGAL DESCRIPTION

An undivided 7.5/289ths 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, R19E	(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.

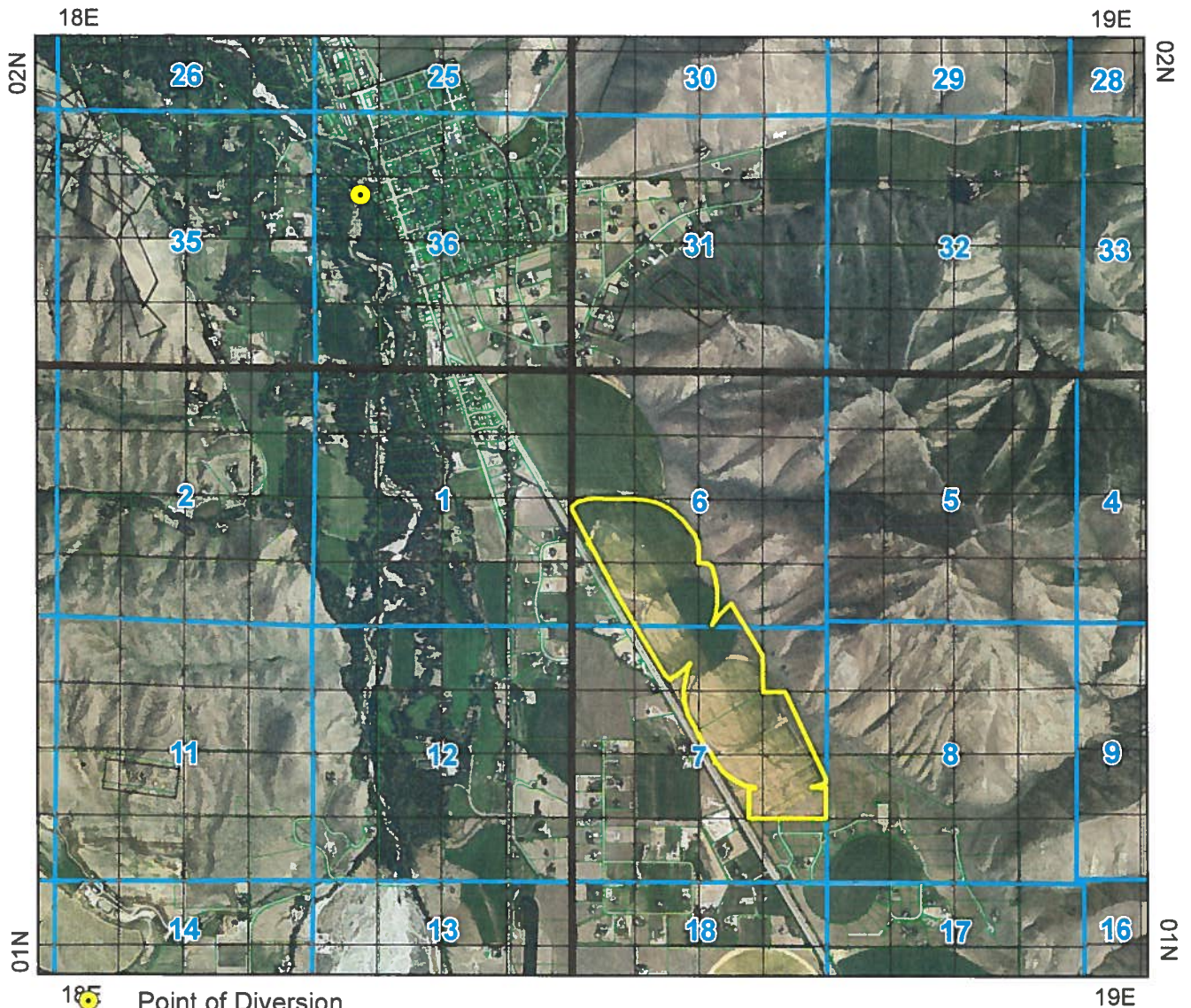
State of Idaho
Department of Water Resources

Water Right

37-481C, 37-577BT, 37-482H, 37-483C

IRRIGATION

The map depicts the place of use for the water use listed above and point(s) of diversion of these rights as currently derived from interpretations of the paper records and is used solely for illustrative purposes. Discrepancies between the computer representation and the permanent document file will be resolved in favor of the actual water right documents in the water right file.



- 18E 02N Point of Diversion
- Place Of Use Boundary
- Townships
- PLS Sections
- Quarter Quarters
- Taxlots

0 0.45 0.9 1.8 Miles



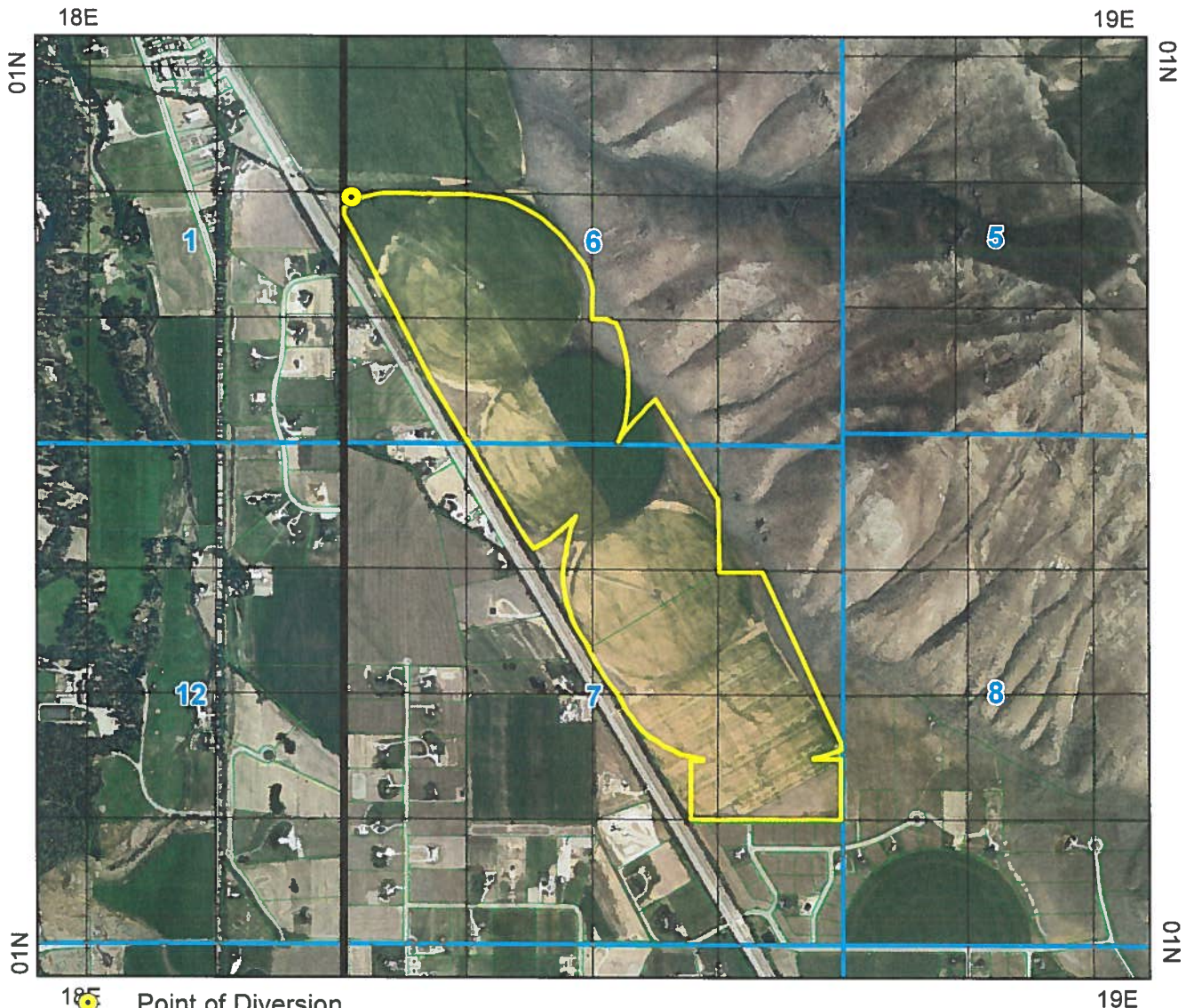
State of Idaho
Department of Water Resources

Water Right

37-2630

IRRIGATION

The map depicts the place of use for the water use listed above and point(s) of diversion of this right as currently derived from interpretations of the paper records and is used solely for illustrative purposes. Discrepancies between the computer representation and the permanent document file will be resolved in favor of the actual water right documents in the water right file.



-  Point of Diversion
-  Place Of Use Boundary
-  Townships
-  PLS Sections
-  Quarter Quarters
-  Taxlots

0 0.225 0.45 0.9 Miles



M^cHUGH BROMLEY

ATTORNEYS AT LAW, PLLC

cbromley@mchughbromley.com
cmchugh@mchughbromley.com
www.mchughbromley.com

380 S. 4th St., Ste. 103
Boise, ID 83702
(208) 287-0991

October 27, 2014

RECEIVED

OCT 28 2014

DEPT OF WATER RESOURCES
SOUTHERN REGION

Trish Fawcett
IDWR Southern Regional Office
650 Addison Ave. W., Ste. 500
Twin Falls, ID 83301-5858

Re: *Notice of Change in Water Right Ownership*; Water Right Nos. 37-481C,
37-482H, 37-483C, 37-577BT & 37-2630

Dear Trish:

Please find enclosed for processing a *Notice of Change in Water Right Ownership* regarding water right nos. 37-481C, 37-482H, 37-483C, 37-577BT, and 37-2630. Also enclosed is a check (#6660) in the amount of \$500 for the five (5) water right splits that are a result of the change of ownership.

If you have any questions please do not hesitate to contact me.

Sincerely,



Chris M. Bromley

Encl.

M^cHUGH BROMLEY
ATTORNEYS AT LAW, PLLC

cbromley@mchughbromley.com
208-287-0991

380 S. 4th St., Ste. 103
Boise, ID 83702

December 22, 2014

VIA E-MAIL

Trish Fawcett
IDWR Southern Regional Office
650 Addison Ave. W., Ste. 500
Twin Falls, Idaho 83301-5858
trish.fawcett@idwr.idaho.gov

Re: Change of Ownership, Water Right Nos. 37-481C, 37-482H, 37-483C,
37-577BT, and 37-2630

Dear Ms. Fawcett:

I represent First Security Corporation ("FSC"), a subsidiary of Idaho Independent Bank ("IIB"). A copy of this letter is also being provided to Garrick Baxter for his review. On or about October 27, 2014, and on behalf of FSC, I mailed a *Notice of Change of Ownership* to the Idaho Department of Water Resources ("IDWR") regarding water right nos. 37-481C, 37-482H, 37-483C, 37-577BT, and 37-2630 ("Water Rights"). The purpose of this letter is to further explain the filing with your office, and why the Water Rights should be split between FSC and Belle Ranch, LLC.

Prior to June 25, 2009, South County Estates, LLC ("South County") owned the full diversion rate of the Water Rights. In the Snake River Basin Adjudication ("SRBA"), South County filed claims to the Water Rights. On June 13, 2008, and due to its mortgage with South County, Mountain West Bank ("Mountain West") filed a *Notice of Security Interest in a Water Right*, which was acknowledged by IDWR on June 20, 2008, and attached to the Water Rights. Mountain West's mortgage was recorded in Blaine County on October 14, 2005, as Instrument No. 527439 (the "MWB Mortgage").

On June 25, 2009, South County conveyed 7.5/289th of the diversion rate of the Water Rights to John Scherer and Charles Holt as tenants in common ("Scherer and Holt") by quitclaim deed (the "2009 Quitclaim Deed"). A copy of the 2009 Quitclaim Deed is attached hereto as Exhibit 1. The 2009 Quitclaim Deed states as follows:

FOR VALUABLE CONSIDERATION . . . South County . . . hereby bargains, sells, remises, releases, conveys and forever quitclaims to John Scherer, a married man as his sole and separate property . . . and to Charles Holt, a married man as his sole and separate property . . . to hold as tenants-in-common, all of its right, title

and interest which it has, if any, in the property in the State of Idaho, County of Blaine, described as:

7.5/289th portion of Water Right Nos. 37-481C, 37-482H, 37-483C, 37-577BT, and 37-2630 as identified on the records of the Idaho Department of Water Resources

2009 Quitclaim Deed at 1 (emphasis added).

The 2009 Quitclaim Deed was recorded in Blaine County on June 25, 2009, as Instrument No. 568680. Also on June 25, 2009, Mountain West recorded in Blaine County, as Instrument No. 568681, a Partial Release of Lien, wherein Mountain West released the lien of the MWB Mortgage (as described above and therein) to the 7.5/289th of the diversion rate of the Water Rights (the “MWB Partial Release”). A copy of the MWB Partial Release is attached hereto as Exhibit 2. The MWB Partial Release further stated: “that the lien of the Mortgage be released as it relates to the Water Rights appurtenant to the 7.5 acres of real property identified on the legal description attached hereto as Exhibit ‘A’ and incorporated herein by this reference and that the Notice of Security Interest in a Water Right filed with the Idaho Department of Water Resources be waived to the limited extent to relates to the Water Rights described above.” *MWB Partial Release* at 1.

Subsequently, Scherer and Holt executed a Mortgage in favor of IIB encumbering the 7.5/289th of the Water Rights, and recorded in Blaine County on June 25, 2009, as Instrument No. 568682 (the “IIB Mortgage”). A copy of the IIB Mortgage is attached hereto as Exhibit 3.

The recorded 2009 Quitclaim Deed notified subsequent purchasers and all others that 7.5/289th of the diversion rate of the Water Rights were no longer owned by South County, but instead were owned undivided as between Scherer and Holt as tenants in common. The recorded IIB Mortgage notified subsequent purchasers and all others of IIB’s security interest in the 7.5/289th of the Water Rights. As such, on July 24, 2009, IIB filed a *Notice of Security Interest in a Water Right* (the “IIB Security Interest”) with IDWR regarding IIB’s security interest in the 7.5/289th of the Water Rights. A copy of the IIB Security Interest is attached hereto as Exhibit 4. The IIB Mortgage was attached with the IIB Security Interest submittal to IDWR. On July 24, 2009, IDWR acknowledged the filing and included IIB on the proof reports for the Water Rights.

South County, after having already conveyed the 7.5/289th of the diversion rate of the Water Rights to Scherer and Holt by the 2009 Quitclaim Deed, quitclaimed the remaining diversion rate of the Water Rights by a Deed in Lieu of Foreclosure to Mountain West, which was recorded in Blaine County on June 17, 2010, by Instrument No. 578331 (the “MWB Deed in Lieu”). A copy of the MWB Deed in Lieu is attached hereto as Exhibit 5.

Thereafter, Mountain West conveyed its interest in the property described in the MWB Deed in Lieu to GBCI Other Real Estates, LLC (“GBCI”) by Deed recorded in Blaine County on June 17, 2010, as Instrument No. 578364 (the “MWB/GBCI Deed”); however, such conveyance

was specifically subject to the Partial Release of Water Rights, recorded as Instrument No. 568681. See MWB/GBCI Deed at 2, with reference to Partial Release of Water Rights recorded as Instrument No. 568681 (defined as MWB Partial Release above). A copy of the MWB/GBCI Deed is attached hereto as Exhibit 6.

At this point, by the recorded deeds, 7.5/289th of the diversion rate of the Water Rights was owned by Scherer and Holt as tenants in common, with a first position priority security interest in favor of IIB; the remaining 281.5/289th of the diversion rate was owned by GBCI.

On August 31, 2010, the SRBA District Court issued partial decrees to South County for the Water Rights.

On July 22, 2011, after the SRBA partial decrees were issued, Mountain West filed a *Notice of Change of Ownership* with IDWR regarding the Water Rights. According to Mountain West's letter to IDWR, it acquired South County's ownership of the Water Rights "via a Deed in Lieu of Foreclosure" A copy of the MWB Deed in Lieu was enclosed with Mountain West's submission to IDWR. On September 13, 2011, and because IDWR did not have all of the deeds regarding the Water Rights, IDWR processed Mountain West's change of ownership for the entire diversion rate of the Water Rights. The change in ownership was processed despite the fact that 7.5/289th of the diversion rate was conveyed to Scherer and Holt as tenants in common via the 2009 Quitclaim Deed, with a first position security interest in favor of IIB (which was on file with IDWR); and despite the fact that Mountain West had disclaimed all interest in 7.5/289th of the diversion rate by the MWB Partial Release.

On December 22, 2011, GBCI conveyed, without warranty, the Water Rights, to Belle Ranch, LLC ("Belle Ranch"), by Special Warranty Deed, recorded in Blaine County on December 22, 2011, as Instrument No. 593252 (the "Special Warranty Deed"). The Special Warranty Deed is attached hereto as Exhibit 7. Concurrently therewith, Mountain West conveyed its interest in the Water Rights to Belle Ranch by Quitclaim Deed (the "MWB Quitclaim Deed"), recorded December 22, 2011, as Instrument No. 593254. The MWB Quitclaim Deed is attached hereto as Exhibit 8.

By the recorded deeds, GBCI and Mountain West never obtained ownership of the 7.5/289th of the Water Rights owned by Scherer and Holt as tenants in common due to the 2009 Quitclaim Deed, encumbered by a security interest in favor of IIB due to the IIB Mortgage. These documents were both recorded in the real property records of Blaine County prior to the recording of the MWB Deed in Lieu and all subsequently recorded deeds. Accordingly, neither GBCI nor Mountain West could convey the 7.5/289th of the Water Rights to Belle Ranch. All GBCI or Mountain West could convey to Belle Ranch was 281.5/289th of the diversion rate of the Water Rights.

On February 28, 2012, Justin Stevenson and Brett Stevenson, on behalf of Belle Ranch, filed a *Notice of Change of Ownership* in the Water Rights. On March 7, 2012, IDWR processed the change of ownership for the entire diversion rate of the Water Rights. Without the benefit of

all of the deeds, IDWR mistakenly changed ownership for the entire diversion rate of the Water Rights to Belle Ranch.

On August 31, 2012, and as a result of the mortgage executed by Belle Ranch, Rabo Agrifinance, Inc. ("Rabo Agrifinance") filed a *Notice of Security in a Water Right* with IDWR, which was acknowledged by IDWR on September 10, 2012.

On or about September 2, 2014, Scherer and Holt executed a Non-Merger Deed in Lieu of Foreclosure conveying the 7.5/289th of the diversion rate of the Water Rights to IIB (the "IIB Deed in Lieu"). A copy of the IIB Deed in Lieu is attached hereto as Exhibit 9. In the IIB Deed in Lieu, Scherer and Holt conveyed "all of the water rights, described in Exhibit 1, attached hereto" *IIB Deed in Lieu* at 1. In the 2009 Quitclaim Deed, Scherer and Holt took ownership in the Water Rights from South County as tenants-in-common. Thus, in the IIB Deed in Lieu, Scherer and Holt conveyed their "undivided" tenant in common ownership of the 7.5/289th of the Water Rights to IIB. The IIB Deed in Lieu was recorded in Blaine County on October 20, 2014, as Instrument No. 622055. Thereafter, IIB executed a Warranty Deed conveying the 7.5/289th of the Water Rights to its subsidiary, FSC (the "FSC Deed"). A copy of the FSC Deed is attached hereto as Exhibit 10. The FSC Deed was recorded in Blaine County on October 20, 2014, as Instrument No. 622056.

On or about October 27, 2014, I mailed a *Notice of Change in Water Right Ownership* on behalf of FSC to IDWR, requesting a split of the Water Rights. The reason for seeking a split of the Water Rights was to bring to IDWR's attention FSC's ownership of the 7.5/289th of the diversion rate of the Water Rights. This was due to the 2009 Quitclaim Deed wherein South County split the Water Rights so that Scherer and Holt obtained ownership as tenants in common of the 7.5/289th of the diversion rate of the Water Rights, and South County retained ownership of the remaining 281.5/289th of the diversion rate. South County conveyed the 7.5/289th of the diversion rate of the Water Rights to Scherer and Holt prior to the MWB Deed in Lieu. As such, the 7.5/289th diversion rate of the Water Rights was never owned by Mountain West, GBCI or any subsequent purchasers, including Belle Ranch.

The recorded deeds are clear that FSC owns the 7.5/289th of the diversion rate of the Water Rights, with the remaining 281.5/289th of the diversion rate owned by Belle Ranch. South County did not own the 7.5/289th of the Water Rights when the MWB Deed in Lieu was executed and/or recorded due to the conveyance to Scherer and Holt as tenants in common in the 2009 Quitclaim Deed. Furthermore, Mountain West did not convey the 7.5/289th of the Water Rights to GBCI, as the MWB/GBCI Deed was subject to the Partial Release of Lien for the 7.5/289th of the Water Rights (and that Mountain West had recorded the MWB Partial Release prior to the recording of the IIB Mortgage). Because Mountain West and GBCI did not obtain title to the 7.5/289th of the Water Rights, they could not convey the 7.5/289th of the Water Rights to Belle Ranch.

According to the recorded deeds, ownership of the Water Rights should be split as follows:

Water Right No.	Total Diversion Rate (cfs)	FSC Diversion Rate	Belle Ranch Diversion Rate
37-481C	3.014	0.08	2.934
37-577BT	2.2	0.06	2.14
37-482H	3.012	0.08	2.932
37-483C	15.086	0.40	14.686
37-2630	3.75	0.08	3.67

$$\frac{7.5}{289} \times 3.75 = .097 \text{ or } .1 \quad \text{th}$$

The Mortgage, Assignment of Rents, and Security Agreement executed by Belle Ranch in favor of Rabo Agrifinance recorded in Blaine County on May 2, 2012, only attaches to diversion rate of the Water Rights owned by Belle Ranch, as set forth in the table above. Accordingly, Rabo Agrifinance has no security interest in the diversion rate of FSC's Water Rights, as set forth in the table above.

Consistent with the recorded deeds and the table above, FSC requests IDWR process its *Notice of Change in Water Right Ownership* by splitting the Water Rights between FSC and Belle Ranch.

Sincerely,



Chris M. Bromley
McHugh Bromley, PLLC

Enclosures

cc: Garrick L. Baxter, IDWR Legal
garrick.baxter@idwr.idaho.gov

EXHIBIT 1

02/20/2007

IDAHO DEPARTMENT OF WATER RESOURCES
RECOMMENDED WATER RIGHTS ACQUIRED UNDER STATE LAW

RIGHT NUMBER: 37-481C
 NAME AND ADDRESS: SOUTH COUNTY ESTATES LLC
 PO BOX 1539
 KETCHUM ID 83340
 SOURCE: BIG WOOD RIVER
 QUANTITY: 3.014 CFS
 PRIORITY DATE: 08/01/1882
 POINT OF DIVERSION: T02N R18E S36 SWNW Within BLAINE County
 Water diverted from Headgate #45 delivered through District Canal.
 TRIBUTARY: MALAD RIVER

PURPOSE AND
PERIOD OF USE:

PURPOSE OF USE	PERIOD OF USE	QUANTITY
IRRIGATION	04/15 10/31	3.014 CFS
PLACE OF USE: IRRIGATION in BLAINE County		
T01N R19E S06 NESW 24.00	T01N R19E S06 Lot 6 NWSW	33.00
T01N R19E S06 Lot 7 SWSW 12.00	T01N R19E S06 SESW	39.00
T01N R19E S06 SWSE 8.50	T01N R19E S07 NWNE	31.00
T01N R19E S07 SWNE 38.00	T01N R19E S07 SENE	15.00
T01N R19E S07 NENW 28.00	T01N R19E S07 SENW	5.50
T01N R19E S07 NESE 15.00	T01N R19E S07 NWSE	20.00

289 ACRES TOTAL

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.

OTHER PROVISIONS NECESSARY FOR DEFINITION OR ADMINISTRATION OF THIS WATER RIGHT:

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.

EXPLANATORY MATERIAL: BASIS OF CLAIM - Decreed

EXHIBIT A
1 of 5

02/20/2007

IDAHO DEPARTMENT OF WATER RESOURCES
RECOMMENDED WATER RIGHTS ACQUIRED UNDER STATE LAW

RIGHT NUMBER: 37-577BT
NAME AND ADDRESS: SOUTH COUNTY ESTATES LLC
PO BOX 1539
KETCHUM ID 83340
SOURCE: BIG WOOD RIVER
QUANTITY: 2.200 CFS
PRIORITY DATE: 03/24/1883
POINT OF DIVERSION: T02N R18E S36 SWNW Within BLAINE County
Water diverted from Headgate #45 delivered through District Canal.

PURPOSE AND PERIOD OF USE:

PURPOSE OF USE	PERIOD OF USE	QUANTITY
IRRIGATION	04/15 10/31	2.200 CFS
PLACE OF USE: IRRIGATION in BLAINE County		
T01N R19E S06 NESW 24.00	T01N R19E S06 Lot 6 NWSW 33.00	
T01N R19E S06 Lot 7 SWSW 12.00	T01N R19E S06 SESE 39.00	
T01N R19E S06 SWSE 8.50	T01N R19E S07 NWNW 31.00	
T01N R19E S07 SWNE 38.00	T01N R19E S07 SENE 15.00	
T01N R19E S07 NENW 28.00	T01N R19E S07 SENW 5.50	
T01N R19E S07 NESE 35.00	T01N R19E S07 NWSE 20.00	
289 ACRES TOTAL		

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.

OTHER PROVISIONS NECESSARY FOR DEFINITION OR ADMINISTRATION OF THIS WATER RIGHT:

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.

EXPLANATORY MATERIAL: BASIS OF CLAIM - Decreed

EXHIBIT A
2 of 5

02/20/2007

IDAHO DEPARTMENT OF WATER RESOURCES
RECOMMENDED WATER RIGHTS ACQUIRED UNDER STATE LAW

RIGHT NUMBER: 37-482H
NAME AND ADDRESS: SOUTH COUNTY ESTATES LLC
PO BOX 1539
KETCHUM ID 83340
SOURCE: BIG WOOD RIVER TRIBUTARY: MALAD RIVER
QUANTITY: 3.012 CFS
PRIORITY DATE: 08/01/1884
POINT OF DIVERSION: T02N R18E S36 SWNW Within BLAINE County
Water diverted from Headgate #45 delivered through District Canal.

PURPOSE AND PERIOD OF USE:

PURPOSE OF USE	PERIOD OF USE	QUANTITY
IRRIGATION	04/15 10/31	3.012 CFS
PLACE OF USE: IRRIGATION in BLAINE County		
T01N R19E S06 NESW	24.00	T01N R19E S06 Lot 6 NWSW 33.00
T01N R19E S06 Lot 7 SWSW	12.00	T01N R19E S06 SESW 39.00
T01N R19E S06 SWSB	8.50	T01N R19E S07 NWNE 31.00
T01N R19E S07 SWNE	38.00	T01N R19E S07 SENE 15.00
T01N R19E S07 NENW	28.00	T01N R19E S07 SENW 5.50
T01N R19E S07 NESE	35.00	T01N R19E S07 NWSE 20.00

289 ACRES TOTAL

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.

OTHER PROVISIONS NECESSARY FOR DEFINITION OR ADMINISTRATION OF THIS WATER RIGHT:

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.

EXPLANATORY MATERIAL: BASIS OF CLAIM - Decreed

EXHIBIT A
3 of 5

IDAHO DEPARTMENT OF WATER RESOURCES
RECOMMENDED WATER RIGHTS ACQUIRED UNDER STATE LAW

02/20/2007

RIGHT NUMBER: 37-483C
NAME AND ADDRESS: SOUTH COUNTY ESTATES LLC
PO BOX 1539
KETCHUM ID 83340
SOURCE: BIG WOOD RIVER
QUANTITY: 15.086 CFS
PRIORITY DATE: 08/01/1902
POINT OF
DIVERSION: T02N R18E S36 SWNW Within BLAINE County
Water diverted from Headgate #45 delivered through District Canal.

TRIBUTARY: MALAD RIVER

PURPOSE AND
PERIOD OF USE:

	<u>PURPOSE OF USE</u>	<u>PERIOD OF USE</u>	<u>QUANTITY</u>
	IRRIGATION	04/15 10/31	15.086 CFS
PLACE OF USE:	<u>IRRIGATION in BLAINE County</u>		
	T01N R19E S06 NESW	24.00	T01N R19E S06 Lot 6 NWSW 33.00
	T01N R19E S06 Lot 7 SWSW	12.00	T01N R19E S06 SESW 39.00
	T01N R19E S06 SWSE	8.50	T01N R19E S07 NWNE 31.00
	T01N R19E S07 SWNE	38.00	T01N R19E S07 SENE 15.00
	T01N R19E S07 NENW	28.00	T01N R19E S07 SENW 5.50
	T01N R19E S07 NESE	35.00	T01N R19E S07 NWSE 20.00

289 ACRES TOTAL

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.

OTHER PROVISIONS NECESSARY FOR DEFINITION OR ADMINISTRATION OF THIS WATER RIGHT:

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.

EXPLANATORY MATERIAL: BASIS OF CLAIM - Decreed

EXHIBIT A
4 of 5

02/20/2007

IDAHO DEPARTMENT OF WATER RESOURCES
RECOMMENDED WATER RIGHTS ACQUIRED UNDER STATE LAW

RIGHT NUMBER: 37-2630
 NAME AND ADDRESS: SOUTH COUNTY ESTATES LLC
 PO BOX 1539
 KETCHUM ID 83340
 SOURCE: GROUND WATER
 QUANTITY: 3.750 CFS
 1,011.50 AFY
 PRIORITY DATE: 02/02/1960
 POINT OF
 DIVERSION: T01N R19E S6 NWWSW Within BLAINE County
 PURPOSE AND
 PERIOD OF USE:

TRIBUTARY:

PURPOSE OF USE	PERIOD OF USE	QUANTITY
IRRIGATION	04/15 10/31	3.750 CFS 1,011.50 AFY

PLACE OF USE: IRRIGATION in BLAINE County

T01N R19E S06	NESW	24.00	T01N R19E S06 Lot 6 NWSW	33.00
T01N R19E S06 Lot 7 SWSW		12.00	T01N R19E S06	SESW
				39.00
T01N R19E S06	SWSE	8.50	T01N R19E S07	NWNE
				31.00
T01N R19E S07	SWNE	38.00	T01N R19E S07	SENE
				15.00
T01N R19E S07	NENW	28.00	T01N R19E S07	SENE
				5.50
T01N R19E S07	NESE	35.00	T01N R19E S07	NWSE
				20.00

289 ACRES TOTAL

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.

OTHER PROVISIONS NECESSARY FOR DEFINITION OR ADMINISTRATION OF THIS WATER RIGHT:

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.

EXPLANATORY MATERIAL: BASIS OF CLAIM - License

EXHIBIT

A

5 of 5

EXHIBIT 2

Instrument # 568681

HAILEY, BLAINE, IDAHO

6-25-2009 04:05:00 No. of Pages: 2

Recorded for : IDAHO INDEPENDENT BANK

JOLYNN DRAGE

Fee: 6.00

Ex-Officio Recorder Deputy

Index to: PARTIAL SATISFACTION OF MORTGAGE

MPP

PARTIAL RELEASE OF LIEN

The undersigned beneficiary under that certain Mortgage October 13, 2005, recorded as Instrument No. 527439 as modified pursuant to that Modification of Mortgage dated November 28, 2006 recorded as Instrument No. 542378 in the official records of Blaine County, Idaho (collectively the "Mortgage"), hereby agrees that the lien of the Mortgage be released as it relates to the Water Rights appurtenant to the 7.5 acres of real property identified on the legal description attached hereto as Exhibit "A" and incorporated herein by this reference and that the Notice of Security Interest in a Water Right filed with the Idaho Department of Water Resources be waived to the limited extent it relates to the Water Rights described above.

Dated: 6-25-09

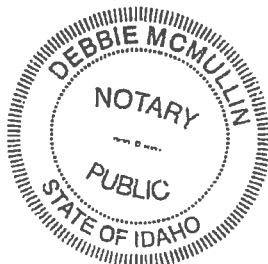
MOUNTAIN WEST BANK

By: Dale Chaney
Its: VICE PRESIDENT

STATE OF IDAHO)
) ss.
County of Blaine)

On this 25th day of June, 2009, before me, Debbie McMullin, a Notary Public in and for said State, personally appeared Dale Chaney, known or identified to me to be the Vice President of MOUNTAIN WEST BANK, the banking association that executed the within instrument or the person who executed the instrument on behalf of said association and acknowledged to me that such association executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.



Debbie McMullin
Notary Public for Idaho
Residing at Hailey, ID
My commission expires 12/9/10

PARTIAL RELEASE OF LIEN

30169-033

An undivided 7 5/289ths 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, R19E	(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.



EXHIBIT 3

(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 # 568682

HAILEY, BLAINE, IDAHO
6-25-2009 04:08:00 No. of Pages: 8
Recorded for: IDAHO INDEPENDENT BANK
JOLYNN DRAGE Fee: 24.00
Ex-Officio Recorder Deputy
Index to DEED OF TRUST-SECOND DEED TRUST4TG

mpp

SPACE ABOVE THIS LINE IS FOR RECORDER'S USE ONLY



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 7.5/289ths 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:

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37-2630	described above	Ground water	NW1/4NW1/4SW1/4 Sec. 6, T1N, R19E	(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 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 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, 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 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 those 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 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) 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 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.

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.

Merge. 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 ~~999,000.00~~ 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:

PATRICIA J. SCHERER, INDIVIDUALLY

ACKNOWLEDGED AND AGREED:
WATERFORD PARTNERS III, LLC

By: JOHN SCHERER, Member of WATERFORD PARTNERS III, LLC

SPOUSAL CONSENT:

LYN S. HOLT, INDIVIDUALLY

INDIVIDUAL ACKNOWLEDGMENT

STATE OF Idaho

COUNTY OF Blaine

On this 25 day of June, in the year 20 09, before me Nicole Bonander

CHARLES HOLT, INDIVIDUALLY, known or identified to me (or proved to me on the oath of Nicole Bonander), to be the person whose names are subscribed to the within instrument and acknowledged to me that they executed the same.

Notary Public for Idaho

Residing at Hailey

My commission expires Feb 12, 2015



INDIVIDUAL 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 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:
Commission expires:

INDIVIDUAL 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 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:

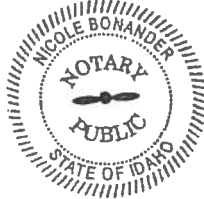
LIMITED LIABILITY COMPANY NOTARY

STATE OF IDAHO

County of Blaire

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: Healey

Commission expires: Feb 12, 2015

EXHIBIT 4

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.
Letchem, 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) S.O.P.

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>5034012</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 # 568682
HAILEY, BLAINE, IDAHO
6-25-2009 04:08:00 No. of Pages: 8
Recorded for : IDAHO INDEPENDENT BANK
JOLYNN DRAGE Fee: 24.00
Ex-Officio Recorder Deputy
Index to: DEED OF TRUST-SECOND DEED TRUSTING

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 7.5/289ths 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 8: 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
37-461C	described above	Big Wood River	SW1/4NW1/4, Sec. 38 T2N, R19E	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)	15.088 CFS
37-2630	described above	Ground water	NW1/4NW1/4SW1/4 Sec. 6, T1N, R19E	(same)	3.750 CFS 1,011.60 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, 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 an 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 Foreclosure 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 effect 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. Schaller, wife of Janet Schaller, 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 due to 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 1601, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 8801, 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 ~~\$785,000.00~~ 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, 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.

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:

~~PATRICIA J. SCHERER, INDIVIDUALLY~~

~~ACKNOWLEDGED AND AGREED:~~

~~WATERFORD PARTNERS III, LLC~~

~~By: JOHN SCHERER, Member of WATERFORD PARTNERS III, LLC~~

SPOUSAL CONSENT:

~~LYN S. HOLT, INDIVIDUALLY~~

INDIVIDUAL ACKNOWLEDGMENT

STATE OF Idaho

COUNTY 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; I, to be Notary Public for Idaho Residing at Hailey
My commission expires Feb 12, 2015



INDIVIDUAL NOTARY
STATE OF IDAHO
County of Blaine

On this 15 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:
Commission expires:

INDIVIDUAL NOTARY
STATE OF IDAHO
County of Blaine

On this 15 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 15 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.

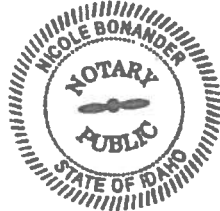
Notary Public for Idaho
Residing at:
Commission expires:

LIMITED LIABILITY COMPANY NOTARY
STATE OF IDAHO

County of Bonne

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. New Registered Agent Signature:*																	
4. Limited Liability Companies: Enter Names and Addresses of at least one Member or Manager. <table border="1"> <thead> <tr> <th>Office Held</th> <th>Name</th> <th>Street or PO Address</th> <th>City</th> <th>State</th> <th>Country</th> <th>Postal Code</th> </tr> </thead> <tbody> <tr> <td>MEMBER</td> <td>JOHN SCHERER</td> <td>PO BOX 1539</td> <td>KETCHUM</td> <td>ID</td> <td>USA</td> <td>83340</td> </tr> </tbody> </table>							Office Held	Name	Street or PO Address	City	State	Country	Postal Code	MEMBER	JOHN SCHERER	PO BOX 1539	KETCHUM	ID	USA	83340
Office Held	Name	Street or PO Address	City	State	Country	Postal Code														
MEMBER	JOHN SCHERER	PO BOX 1539	KETCHUM	ID	USA	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.																		

EXHIBIT 5

Instrument # 578331

HAILEY, BLAINE, IDAHO
06-17-2010 11:58:28 No. of Pages: 3
Recorded for: BLAINE COUNTY TITLE
JOLYNN DRAGE Fee: \$9.00
Ex-Officio Recorder Deputy: mpp
Electronically Recorded by Simplifile

DEED IN LIEU OF FORECLOSURE

FOR VALUE RECEIVED, South County Estates, LLC, an Idaho limited liability company ("Grantor"), PO Box 1539, Ketchum, ID 83340, hereby conveys, releases, remises, and forever quitclaims to MOUNTAIN WEST BANK ("Grantee"), whose address is P. O. Box 1059, Coeur d'Alene, ID 83816; that certain real property, together with all appurtenances, located in Blaine County, Idaho:

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

A parcel of land in the SW1/4 and the SW1/4SE1/4 of Section 6 and also in the E1/2NW1/4, NW1/4NE1/4, S1/2NE1/4 and the N1/2SE1/4 of 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 South 89°51'45" East, 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 South 0°35'18" East, 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 South 89°42'45" East, 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 South 0°25'10" East, 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 South 0°17'54" East, 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 South 89°47'36" East, 1,303.96 feet along the Northerly boundary of the SE1/4NE1/4, Section 7 to an iron pin marking the Northeast corner of said SE1/4NE1/4, Section 7;

Thence South 0°15'06" East, 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 South 0°45'30" East, 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 South 89°50'53" West, 1,601.23 feet along the Southerly boundary of the N1/2SE1/4, 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 S1/2NE1/4, said Section 7;

Thence South 89°58'26" West, 58.42 feet along said Railroad boundary and also along said Southerly boundary of the S1/2NE1/4, 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 S1/2NE1/4, Section 7; Thence North 0°20'40" West, 97.56 feet along said Westerly

DEED IN LIEU OF FORECLOSURE: 1

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boundary of the S1/2NE1/4, 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 NE1/4NW1/4, Section 7; Thence North 0°22'13" West, 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 North 89°58' 18" West, 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 North 31°10'34" West, 2,353.23 feet along said Railroad boundary to an iron pin on the Westerly boundary of said SW1/4, Section 6;

Thence North 0°37'05" West, 604.70 feet along said Westerly boundary of the SW1/4, Section 6 to the TRUE POINT OF BEGINNING.

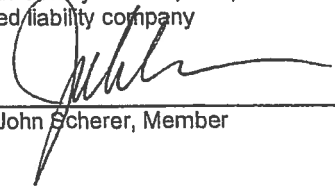
Parcel 1 and Parcel 2, Block 1 of BELLE RANCH SUBDIVISION, according to the official plat thereof, recorded as Instrument No. 563443, Records of Blaine County, Idaho; excepting that portion formally shown on the Blaine County Assessor rolls as Tax Lot 4913 Township 1 North, Range 19 East, Boise Meridian, Blaine County, Idaho;

Included with the real property conveyed to Grantee: all 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 conveyed real property, including without limitation all minerals, oil, gas, geothermal and similar matters, collective; including any after-acquired title and any right of redemption;

TO HAVE AND TO HOLD the said property, with its appurtenances unto the Grantee and its successors and assigns forever. Grantor hereby covenant to and with the said Grantee that Grantor is the owner in fee simple of said property and that such property is free from all encumbrances other than encumbrances of record as of this date and that Grantor warrants the same from all lawful claims whatsoever. Any merger of title is at the option of the Grantee.

Dated:

South County Estates, LLC, an Idaho
limited liability company

By: 
John Scherer, Member

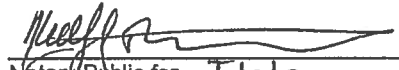
DEED IN LIEU OF FORECLOSURE: 2

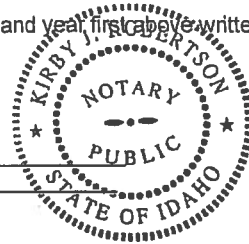
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STATE OF IDAHO)
).ss
County of Blaine)

On this 17 day of June, 2010, before me, the undersigned Notary Public, personally appeared John Scherer, known to me or identified to me to be the Member of South County Estates, LLC, that executed this instrument or the person who executed the instrument on behalf of said Corporation and acknowledged to me that such Corporation executed the same.

WITNESS my hand and official seal hereto affixed the day and year first above written.


Notary Public for Idaho
Residing at: Boise Idaho
My Commission Expires: 04/28/2016



DEED IN LIEU OF FORECLOSURE: 3

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EXHIBIT 6

Filed for record at the Request of:

Rich Brittain
Mountain West Bank
PO Box 1059
Coeur d'Alene, Idaho 83816

Instrument # 578364

HAILEY, BLAINE, IDAHO
06-17-2010 16:35:28 No. of Pages: 3
Recorded for: BLAINE COUNTY TITLE
JOLYNN DRAGE Fee: \$9.00
Ex-Officio Recorder Deputy: mpp
Electronically Recorded by Simplifile

DEED

[Blaine County, Idaho]

FOR VALUE RECEIVED, **MOUNTAIN WEST BANK** ("Grantor"), whose address is 125 Ironwood Drive, Coeur d'Alene, Idaho 83816, does hereby grant, bargain, sell, and convey unto **GBCI OTHER REAL ESTATE, LLC, a Montana limited liability company** ("Grantee"), whose address is 49 Commons Loop, Kalispell, MT 59901, those certain real properties located in **Blaine County, Idaho**, which is more particularly described as follows:

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

A parcel of land in the SW1/4 and the SW1/4SE1/4 of Section 6 and also in the E1/2NW1/4, NW1/4NE1/4, S1/2NE1/4 and the N1/2SE1/4 of 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 South 89°51'45" East, 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 South 0°35'18" East, 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 South 89°42'45" East, 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 South 0°25'10" East, 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 South 0°17'54" East, 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 South 89°47'36" East, 1,303.96 feet along the Northerly boundary of the SE1/4NE1/4, Section 7 to an iron pin marking the Northeast corner of said SE1/4NE1/4, Section 7;

Thence South 0°15'06" East, 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 South 0°45'30" East, 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;

DEED: 1

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Thence South 89°50'53" West, 1,601.23 feet along the Southerly boundary of the N1/2SE1/4, 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 S1/2NE1/4, said Section 7;
Thence South 89°58'26" West, 58.42 feet along said Railroad boundary and also along said Southerly boundary of the S1/2NE1/4, 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 S1/2NE1/4, Section 7; Thence North 0°20'40" West, 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 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 NE1/4NW1/4, Section 7; Thence North 0°22'13" West, 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 North 89°58' 18" West, 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 North 31°10'34" West, 2,353.23 feet along said Railroad boundary to an iron pin on the Westerly boundary of said SW1/4, Section 6;
Thence North 0°37'05" West, 604.70 feet along said Westerly boundary of the SW1/4, Section 6 to the TRUE POINT OF BEGINNING.

Parcel 1 and Parcel 2, Block 1 of BELLE RANCH SUBDIVISION, according to the official plat thereof, recorded as Instrument No. 563443, Records of Blaine County, Idaho; excepting that portion formally shown on the Blaine County Assessor rolls as Tax Lot 4913 Township 1 North, Range 19 East, Boise Meridian, Blaine County, Idaho;

Partial Release of Water Rights recorded as Instrument No's 568681, 574996, 574997, 574998, 574999, 575000, 575001, records of Blaine County, Idaho.

Included with the real property conveyed to Grantee: all 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 conveyed real property, including without limitation all minerals, oil, gas, geothermal and similar matters, collective; including any after-acquired title and any right of redemption.

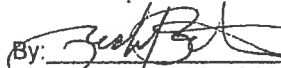
DEED: 2

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Including after-acquired title.

DATED this 17th day of June 2010.

MOUNTAIN WEST BANK

By: 
Rich Brittain, S.V.P.

STATE OF IDAHO)
County of ~~Kootenai~~ Ada)
:ss

On this 17th day of June, 2010, before me, the undersigned Notary Public in and for the State of Idaho, personally appeared RICH BRITTAIN, known or identified to me to be the Senior Vice President of the corporation that executed this instrument or the person who executed the instrument on behalf of said corporation and acknowledged to me that such corporation executed the same.

WITNESS my hand and official seal hereto affixed the day and year first above written.



Betty Trandem
Notary Public for Idaho
Residing at Boise, ID
Commission expires 06-23-2015

DEED: 3

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EXHIBIT 7

Filed for record at the Request of:
Blaine County Title
PO Box 3176
Ketchum, ID 83340

Instrument # 593252
HAILEY, BLAINE, IDAHO
12-22-2011 4:09:00 PM No. of Pages: 3
Recorded for: BLAINE COUNTY TITLE
JOLYNN DRAGE Fee: \$16.00
Ex-Officio Recorder Deputy: mpp
Electronically Recorded by Simplifile

SPECIAL WARRANTY DEED

FOR VALUE RECEIVED, GBCI OTHER REAL ESTATE, LLC, a Montana Limited Liability Company ("Grantor"), whose address is 49 Commons Loop, Kalispell, MT 59901, does hereby grant, bargain, sell, and convey unto **Belle Ranch, LLC, an Idaho Limited Liability Company** ("Grantee"), whose address is PO Box 3322 Hailey, ID 83333 that certain real property located in Blaine County, Idaho, which is more particularly described on **Exhibit "A"** attached hereto and incorporated herein by this reference.

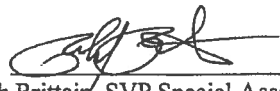
Conveying, without Warranty, any and all water rights appurtenant to the real property described on **Exhibit "A"**, including without limitation, Water Right Nos. 37-481C, 37-577BT, 37-482H, 37-2630 and 37-483C.

TO HAVE AND TO HOLD the said property, with its appurtenances unto the Grantee and its successors and assigns forever. Grantor does hereby covenant to and with the said Grantee that Grantor is the owner in fee simple of said property and that such property is free from all encumbrances made or suffered by the Grantor.

The Grantor expressly limits the covenants of this Deed to those herein expressed and excludes all covenants arising or to arise by statutory or other implication, and covenant that Grantors will forever warrant and defend title to the property conveyed herein against all persons who lawfully claim by, through, or under the Grantors, but not otherwise.

DATED this 20th day of December, 2011

GBCI OTHER REAL ESTATE, LLC

By: 
Rich Brittain, SVP Special Assets Administrator
Its: Authorized Agent

STATE OF IDAHO)
).SS
COUNTY OF)

On this 20th day of December, 2011, before me, the undersigned Notary Public in and for the State of Idaho, personally appeared Rich Brittain, known or identified to me to be the SVP Special Assets Administrator and duly Authorized Agent of the corporation that executed this instrument or the person who executed the instrument on behalf of said corporation and acknowledged to me that such corporation executed the same.

WITNESS my hand and official seal hereto affixed the day and year first above written.



Tawnda L. Bromley
Notary Public for Idaho
Residing at: Coeur d'Alene
Commission expires: 2/11/16

SCHEDULE A

Order Number: 1117502

LEGAL DESCRIPTION

Parcel 1 and Parcel 2, Block 1 of BELLE RANCH SUBDIVISION, according to the official plat thereof, recorded as Instrument No. 563443, Records of Blaine County, Idaho.

EXCEPTING a portion of said Parcel 1 more particularly described as follows:

COMMENCING at an iron pin marking the North $\frac{1}{4}$ Corner of Section 7 Township 1 North, Range 19 East, Boise Meridian, Blaine County, Idaho; thence North $89^{\circ}58'18''$ West, 1,317.24 feet along the Northerly boundary of the $E\frac{1}{2}NW\frac{1}{4}$, Section 7, to an iron pin marking the Northwest corner of said $E\frac{1}{2}NW\frac{1}{4}$, Section 7, said pin also being the REAL POINT OF BEGINNING;

Thence continuing North $89^{\circ}58'18''$ West, 34.73 feet along the Northerly boundary of the $W\frac{1}{2}NW\frac{1}{4}$, Section 7, to an iron pin on the intersection of the Northeasterly boundary of the Union Pacific Railroad and said Northerly boundary of the $W\frac{1}{2}NW\frac{1}{4}$, Section 7;

Thence South $31^{\circ}10'34''$ East, 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 $E\frac{1}{2}NW\frac{1}{4}$ of Section 7;

Thence North $0^{\circ}22'13''$ West, 58.00 feet along said Westerly boundary of the $E\frac{1}{2}NW\frac{1}{4}$ to the Point of Beginning. (Tax Lot 4913)

EXHIBIT 8



Instrument # 593254

HAILEY, BLAINE, IDAHO
12-22-2011 4:09:00 PM No. of Pages: 2
Recorded for: BLAINE COUNTY TITLE
JOLYNN DRAGE Fee: \$13.00
Ex-Officio Recorder Deputy: mpp
Electronically Recorded by Simplifile

QUITCLAIM DEED

THIS INDENTURE, made this 21st day of December, 2011, between

Mountain West Bank, as GRANTOR and

Belle Ranch, LLC, an Idaho Limited Liability Company, as GRANTEE(S)

whose current address is: PO Box 3322, Hailey, ID 83333

WITNESS, that said Grantor(s), for an in consideration in lawful money of the United States of America, in hand paid by the Grantee, the receipt whereof is hereby acknowledged, does by these premises remise, release and forever QUITCLAIM, unto the said Grantee(s) and to its heirs and assigns all that certain lot, piece or parcel of land, bounded and particularly described as follows, to wit:

Any and all water rights appurtenant to the real property described in Exhibit "A", including without limitation, Water Right Nos. 37-481C, 37-577BT, 37-482H, 37-2630 and 37-483C.

TOGETHER with all and singular the tenements, hereditaments and appurtenances thereunto belonging or in anywise appertaining, the reversion and reversions, remainder and remainders, rents, issues and profits thereof.

TO HAVE AND TO HOLD, All and singular the said premises, together with the appurtenances, unto the Grantee and to its heirs and assigns forever.

IN WITNESS WHEREOF, the grantor(s) has executed this deed on the date set forth above.

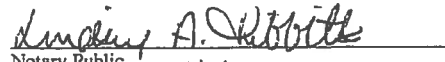
Mountain West Bank


BY: Rich Brittain, S.V.P.

STATE OF Idaho)
COUNTY OF Kootenai) ss.

On this 21st day of December, 2011 before me, the undersigned, a Notary Public, in and for said State, personally appeared Rich Brittain, known or identified to me to be the Senior Vice President of the corporation that executed this instrument or the person who executed the instrument on behalf of said corporation and acknowledged to me that such corporation executed the same.

WITNESS MY HAND AND OFFICIAL SEAL.


Notary Public
Notary Resides: Rathfrurn, ID
My commission expires: 2/24/2016

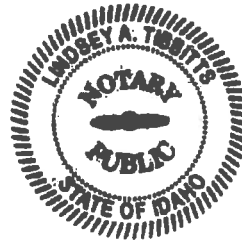


Exhibit A
LEGAL DESCRIPTION

Order No.: 2117502

Parcel 1 and Parcel 2, Block 1 of BELLE RANCH SUBDIVISION, according to the official plat thereof, recorded as Instrument No. 563443, Records of Blaine County, Idaho.

EXCEPTING a portion of said Parcel 1 more particularly described as follows: COMMENCING at an iron pin marking the North $\frac{1}{4}$ Corner of Section 7 Township 1 North, Range 19 East, Boise Meridian, Blaine County, Idaho; thence North $89^{\circ}58'18''$ West, 1,317.24 feet along the Northerly boundary of the $E\frac{1}{2}NW\frac{1}{4}$, Section 7, to an iron pin marking the Northwest corner of said $E\frac{1}{2}NW\frac{1}{4}$, Section 7, said pin also being the REAL POINT OF BEGINNING; Thence continuing North $89^{\circ}58'18''$ West, 34.73 feet along the Northerly boundary of the $W\frac{1}{2}NW\frac{1}{4}$, Section 7, to an iron pin on the intersection of the Northeasterly boundary of the Union Pacific Railroad and said Northerly boundary of the $W\frac{1}{2}NW\frac{1}{4}$, Section 7; Thence South $31^{\circ}10'34''$ East, 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 $E\frac{1}{2}NW\frac{1}{4}$ of Section 7; Thence North $0^{\circ}22'13''$ West, 58.00 feet along said Westerly boundary of the $E\frac{1}{2}NW\frac{1}{4}$ to the Point of Beginning. (Tax Lot 4913)

EXHIBIT 9

Instrument # 622055

HAILEY, BLAINE, IDAHO
10-20-2014 11:32:17 No. of Pages: 5
Recorded for : HAWLEY TROXELL
JOLYNN DRAGE Fee: 22.00
Ex-Officio Recorder Deputy
Index to: MISC DEEDS



**NON-MERGER DEED IN LIEU OF FORECLOSURE WITH RETENTION OF DEFICIENCY RIGHTS
AND NOTICE OF WAIVER OF REDEMPTION RIGHTS**

FOR VALUE RECEIVED, JOHN SCHERER, a married man as his sole and separate property, and CHARLES HOLT, a married man as his sole and separate property (collectively "Grantor"), do hereby grant, bargain, sell, and convey unto IDAHO INDEPENDENT BANK or assigns ("Grantee"), whose address is 1260 W. Riverstone Dr., Coeur d'Alene, Idaho 83814, all of the water rights, described in Exhibit 1, attached hereto and by this reference incorporated herein, situated in Blaine County, Idaho, TOGETHER with any and all claims, permits, licenses, decrees, and applications to, regarding or connected with such water rights, all water, watercourses and ditch rights (including stock in utilities with ditch or irrigation rights), and appurtenances thereunto belonging or in anywise appertaining, the reversion and reversions, remainder and remainders, rents, issues, and profits thereof, and all estate, right, title, and interest in and to the water rights, as well in law as in equity (all of which are collectively referred to as the "Property").

TO HAVE AND TO HOLD the Property unto Grantee, its successors, assigns, and transferees forever and Grantor does hereby covenant to and with Grantee and Grantee's successors, assigns and transferees that it is the owner in fee simple of the Property and has the right and authority to convey the same to Grantee; that Grantee, and Grantee's successors, assigns and transferees shall enjoy the quiet and peaceful possession of the Property; that Grantor will, on demand of Grantee, or Grantee's successors, assigns or transferees, and at the expense of Grantor, execute any document or instrument necessary for the further assurance of the title to the Property that may be reasonably required; and that Grantor will warrant and defend the title conveyed herein to Grantee, and Grantee's successors, assigns and transferees against all lawful claims whatsoever.

TO HAVE AND TO HOLD the Property unto Grantee, its successors, assigns, and transferees forever, and Grantor does hereby covenant that the Property is free from all encumbrances and liens, except for that certain Mortgage executed by Grantor to Grantee, dated June 10, 2009, and recorded on June 25, 2009, as Instrument No. 568682, and that certain Acknowledgment of Mortgage executed by Waterford Partners III, LLC, as "Borrower", to Grantee dated July 17, 2009, and recorded on July 17, 2009, as Instrument No. 569399, both in the records of Blaine County, Idaho (collectively, the "Mortgage").

This Non-Merger Deed in Lieu of Foreclosure with Retention of Deficiency Rights and Notice of Waiver of Redemption Rights ("Deed") is absolute in effect and conveys to Grantee full, fee simple title in the Property. This Deed does not operate as a mortgage, trust deed, trust conveyance, or security device of any kind. Grantor acknowledges that the Mortgage is valid and binding and shall remain in full force and effect. This Deed does not effect a merger of the fee ownership and the lien of the Mortgage. The fee and the lien shall hereafter remain separate and distinct. Grantee reserves Grantee's rights to foreclose the Mortgage at any time as to any party with any claim, interest, or lien on the Property.

This Deed is made pursuant to and in accordance with the terms of the Estoppel Affidavit dated effective of even date herewith executed by Borrower, Grantor, and John Scherer, individually, and Charles Holt, individually, each as a Guarantor (collectively, "Guarantors"). The consideration for this Deed is valuable and includes Borrower's, Grantor's and Guarantors' desire to decrease the amount of the obligations owed by Borrower and Guarantors, pursuant to the terms of a Promissory Note dated June 10, 2009, as renewed, modified or amended from time to time, initially executed by, and secured

against the Property by the Mortgage, and any other amounts owed by Borrower, Grantor or Guarantors to Grantee. In executing this Deed, Borrower, Grantor and Guarantors expressly acknowledge that this Deed is not intended to and does not discharge the indebtedness that is secured by the Mortgage. Further, Grantee retains its deficiency rights as set forth in the Estoppel Affidavit.

The possession of the Property has been or will be promptly surrendered to Grantee. Grantor further covenants with Grantee that Grantee shall enjoy the same without any loss or disturbance, and that Grantor and all persons having or acquiring any interest in the Property through or for Grantor will, on demand, execute and deliver to Grantee any further assurances of the same as may be reasonably required.

This Deed is made as a result of the request of Grantor and is made of its free and voluntary act without undue influence or coercion from Grantee or any other party. At the time of the execution of this Deed, Grantor believes that the indebtedness secured by the Mortgage does exceed the fair market value of the Property. Grantee shall have the option and right to defer recording this Deed if it so elects until such time as it deems appropriate.

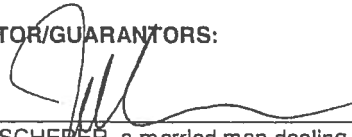
Grantor does hereby irrevocably waive, surrender, convey, and relinquish any equity of redemption and statutory rights of redemption whatsoever which Grantor may now or hereafter have in and to or concerning the Property, and acknowledges that this Deed is not executed by virtue of any misrepresentation of Grantee, its agents, attorneys, or any other person. The warranties and representations made by Grantor as herein set forth are for the protection of Grantee and all other parties who hereafter acquire an interest in the Property and shall be binding upon the respective heirs, trustees, beneficiaries, executors, and assigns of Grantor.

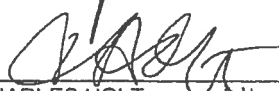
The execution, delivery and performance of this Deed, (i) has been duly authorized and does not require the consent or approval of any governmental body or other regulatory authority or any other person or entity, and (ii) is not in contravention of or in conflict with any law or regulation, and (iii) is enforceable against Grantor, Borrower and Guarantors, in accordance with the terms herein. Further, John Scherer and Charles Holt represent and warrant that they have sole authority to enter into this Deed on behalf of Borrower and execute the documents in conformance thereof.

Grantor acknowledges and agrees that the acceptance by Grantee of title to the Property shall not create any obligations on the part of Grantee and/or its assigns to third parties that may have claims of any kind whatsoever against the Grantor. No person not a party to this Deed shall have any "third party beneficiary" status or other rights hereunder.

DATED effective the 2 day of Sept, 2014.

GRANTOR/GUARANTORS:


JOHN SCHERER, a married man dealing with his sole and separate property


CHARLES HOLT, a married man dealing with his sole and separate property

NON-MERGER DEED IN LIEU OF FORECLOSURE WITH RETENTION OF DEFICIENCY RIGHTS AND
NOTICE OF WAIVER OF REDEMPTION RIGHTS - 2

40986.0058.5273742.5

BORROWER:

WATERFORD PARTNERS III, LLC

By: [Signature]
JOHN SCHERER, Member

By: [Signature]
CHARLES HOLT, Member

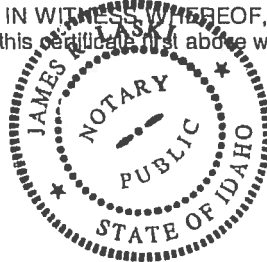
STATE OF IDAHO)

) ss.

County of Blaine)

On this 2nd day of Sept, 2014, before me, James R Laski, 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 foregoing instrument, and acknowledged to me that he executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.



[Signature]

Notary Public for Idaho
Residing at Blaine County
My commission expires Aug 3, 2017

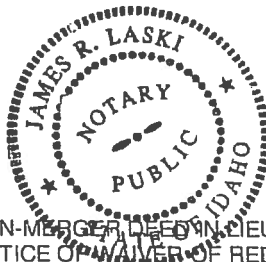
STATE OF IDAHO)

) ss.

County of Blaine)

On this 2nd day of Sept, 2014, before me, James R Laski, a Notary Public in and for said state, personally appeared CHARLES HOLT, known or identified to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.



[Signature]

Notary Public for Idaho
Residing at Blaine County
My commission expires Aug 3, 2017

NON-MERGED, USED IN LIEU OF FORECLOSURE WITH RETENTION OF DEFICIENCY RIGHTS AND NOTICE OF WAIVER OF REDEMPTION RIGHTS - 3

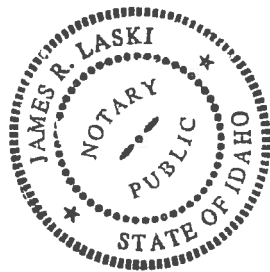
STATE OF IDAHO

)
) ss.

County of Blaine

On this 2nd day of Sept, 2014, before me, James R Laski, a Notary Public in and for said State, personally appeared JOHN SCHERER, known or identified to me to be a member of WATERFORD PARTNERS III, LLC, or the person who executed the instrument on behalf of said limited liability company and acknowledged to me that such limited liability company executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.



[Signature]
Notary Public for Idaho
Residing at Blaine County
My commission expires Aug 3, 2017

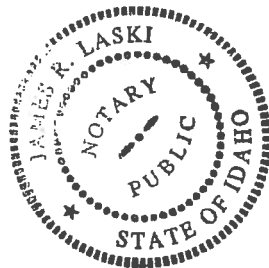
STATE OF IDAHO

)
) ss.

County of Blaine

On this 2nd day of Sept, 2014, before me, James R Laski, a Notary Public in and for said State, personally appeared CHARLES HOLT, known or identified to me to be a member of WATERFORD PARTNERS III, LLC, or the person who executed the instrument on behalf of said limited liability company and acknowledged to me that such limited liability company executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.



[Signature]
Notary Public for Idaho
Residing at Blaine County
My commission expires Aug 3, 2017

NON-MERGER DEED IN LIEU OF FORECLOSURE WITH RETENTION OF DEFICIENCY RIGHTS AND
NOTICE OF WAIVER OF REDEMPTION RIGHTS - 4

40986.0058.5273742.5

**EXHIBIT 1
LEGAL DESCRIPTION**

An undivided 7.5/289ths 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, R19E	(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.

EXHIBIT 10

Recording Requested By and
When Recorded Return to:

First Security Corporation
401 W. Front Street
Boise, ID 83702

Instrument # 622056

HAILEY, BLAINE, IDAHO
10-20-2014 11:34:46 No. of Pages: 3
Recorded for : HAWLEY TROXELL
JOLYNN DRAGE Fee: 16.00
Ex-Officio Recorder Deputy
Index to: WTY/QC/CORP DEED

JB

SPACE ABOVE THIS LINE FOR RECORDER'S USE ONLY

WARRANTY DEED

This Warranty Deed is made this 15th day of October, 2014, between IDAHO INDEPENDENT BANK, hereinafter called the "**Grantor**," and FIRST SECURITY CORPORATION, which has a current mailing address of 401 W. Front Street, Boise, Idaho 83702, hereinafter called the "**Grantee**" witnesseth:

That Grantor has granted and does, by these presents, grant, bargain, sell, convey, and confirm unto Grantee and Grantee's successor and assigns forever, all of the water rights, described in Exhibit 1, attached hereto and by this reference incorporated herein, situated in Blaine County, Idaho, TOGETHER with any and all claims, permits, licenses, decrees, and applications to, regarding or connected with such water rights, all water, watercourses and ditch rights (including stock in utilities with ditch or irrigation rights), and appurtenances thereunto belonging or in anywise appertaining, the reversion and reversions, remainder and remainders, rents, issues, and profits thereof, and all estate, right, title, and interest in and to the water rights, as well in law as in equity (all of which are collectively referred to as the "**Property**")

To have and to hold the Property together unto Grantee and Grantee's successors and assigns forever.

Subject to those exceptions made, suffered or done by Grantee, or Grantee's successors and assigns; Grantor covenants to Grantee, and Grantee's successors and assigns: that Grantee, and Grantee's successors and assigns shall enjoy the quiet and peaceful possession of the Property; that Grantor is lawfully seized of the Property in fee simple and has the right and authority to convey the same to Grantee; that Grantor will, on demand of Grantee, or Grantee's successors or assigns, and at the expense of Grantor, execute any document or instrument necessary for the further assurance of the title to the Property that may be reasonably required; that Grantor's title to the Property is merchantable and free from all liens and encumbrances; and that Grantor will warrant and defend the title conveyed herein to Grantee, and Grantee's successors and assigns against all lawful claims whatsoever.

WARRANTY DEED - 1

40986.0058.6937429.1

IN WITNESS WHEREOF, Grantor has hereunto set its hand on the day and year first above written.

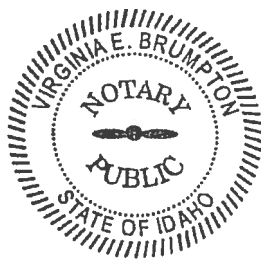
IDAHO INDEPENDENT BANK

By: M. Rigby
Name: Molly Rigby
Title: Vice President

STATE OF IDAHO)
) ss.
County of Ada)

On this 15th day of October, 2014, before me, Virginia E Brumpton a Notary Public in and for said State, personally appeared Molly Rigby, known or identified to me to be a Vice President of IDAHO INDEPENDENT BANK, the corporation that executed the within instrument or the person who executed the instrument on behalf of said corporation, and acknowledged to me that such corporation executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.



Virginia E Brumpton
Notary Public for Idaho
Residing at Star 10
My commission expires 10-27-18

EXHIBIT 1

LEGAL DESCRIPTION

An undivided 7.5/289ths 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:

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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, R19E	(same)	3.750 CFS 1,011.50 AFY (acre/feet per year)

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