

STATE OF IDAHO
DEPARTMENT OF WATER RESOURCES

Transfer No. 77912

MINIMUM REQUIREMENTS CHECKLIST
TO BE SUBMITTED WITH APPLICATION FOR TRANSFER

An application for transfer must be prepared in accordance with the minimum requirements listed below to be acceptable for processing by the Department. Incomplete applications will be returned. The instructions, fee schedule, Part 2A reports and additional Part 2B forms are available from any Department office or on the Department's website at <http://www.idwr.idaho.gov/>.

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Check whether each item below is *attached (Yes)* or *not applicable (N/A)* for the proposed transfer.

Yes N/A

* Means the item is always required and must be included with the application.

- ☒ * Completed Application for Transfer of Water Right form, Part 1.
- ☒ * Signature of applicant(s) or applicant's authorized representative on Application for Transfer Part 1. Include evidence of authority labeled Attachment #3 (see below) if signed by representative.
- ☒ * Application for Transfer Part 2A. Attach a Part 2A report describing each water right in the transfer as currently recorded.
- ☐ ☒ Complete and attach an Application for Transfer Part 2B for each water right for which only a portion is proposed to be changed through this transfer application
- ☒ * Application for Transfer Part 3A is always required (see Attachment #7a below); Parts 3B and 3C must be completed for transfer applications proposing to change the nature of use of the water right(s) or proposing changes to supplemental right(s).
- ☒ * Correct fee submitted with transfer application form. (Fee schedule is on website and instructions for application for transfer.)

Attachments to Application - Label each attachment with the corresponding number shown below as Attachment #1-9.

- ☐ ☒ #1 If the applicant is a business, partnership, organization, or association, and not currently registered in the State of Idaho as a business entity, attach documentation identifying officers authorized to sign or act on behalf of right holder. (See Part 1.)
- ☒ ☐ #2a Water Right ownership documentation if Dept. records do not show the transfer applicant as the current water right owner.
- ☒ ☐ #2b If the ownership of the water right will change as a result of the proposed transfer to a new place of use, attach documentation showing land and water right ownership at the new place of use. Include documentation for all affected land and owner(s).
- ☒ ☐ #3 Documentation of authority to make the change if the applicant is not the water right owner.
- ☐ ☒ #4 Power of Attorney or documentation providing authority to sign or act on the applicant's behalf. (See Part 1.)
- ☐ ☒ #5 If the transfer application proposes to change the point of diversion for a water right affecting the Eastern Snake Plain Aquifer (ESPA), attach the results of an ESPA analysis and a detailed mitigation plan to offset any depletions to hydraulically connected reaches of the Snake River. ESPA transfer spreadsheet and model grid labeled cells are available on the Department's website at <http://www.idwr.idaho.gov/water/rights/>.
- ☐ ☒ #6 Notarized statement of agreement or a statement on official letterhead signed by an authorized representative from each lien holder or other entity with financial interest in the water right(s) or land affected by the proposed transfer. (See Part 1.5.c.)
- ☒ * #7a Attach a map identifying the proposed point(s) of diversion, place(s) of use, and water diversion and distribution system details as described on the application. Include legal description labels. If only a portion of the right is proposed to be changed, identify the current location of the part of the existing right(s) proposed to be changed. (See Part 3A.)
- ☒ ☐ #7b If the transfer application proposes to change the place or purpose of use of an irrigation right attach a Geographic Information System (GIS) shape file, or an aerial photo or other image clearly delineating the location and extent of existing acres and changes to the place of use.
- ☐ ☒ #8a If the transfer application proposes to change the nature of use or period of use for one or more rights, provide documentation describing the extent of historic beneficial use for the water rights proposed to be transferred and document how enlargement will be avoided. (See Part 3B.)
- ☐ ☒ #8b If the transfer application proposes to change the place of use of a supplemental irrigation right, provide documentation regarding the historic use of the supplemental right(s) and availability or reliability of the primary right(s) being supplemented, both before and after the proposed change. (See Part 3C.)
- ☐ ☐ #9 Other. Please describe: _____

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DEPT. OF WATER RESOURCES
STATE OF IDAHO
DEPARTMENT OF WATER RESOURCESTransfer No. 77912

JAN 25 2012

DEPT. OF WATER RESOURCES
SOUTHERN REGIONAPPLICATION FOR TRANSFER OF WATER RIGHT
PART 1Name of Applicant(s) Mid-Valley Water Co. LLC c/o The Kirk Group Phone 208-726-6560Mailing address P.O. Box 4380 Ketchum ID 83340 Email _____

- ☐ If applicant is not an individual and not registered to do business in the State of Idaho, attach documentation identifying officers authorized to sign or act on behalf of the applicant. Label it **Attachment #1**.
- ☒ Attach water right ownership documentation if Department records do not show the transfer applicant as the current water right owner. Label it **Attachment #2a**.
- ☐ If the ownership of the water right will change as a result of the proposed transfer to a new place of use, attach documentation showing land and water right ownership at the new place of use. Include documentation for all affected land and owner(s). Label it **Attachment #2b**.
- ☐ Attach documentation of authority to make the proposed change if the applicant is not the water right owner. Label it **Attachment #3**.

Provide contact information below if a consultant, attorney, or any other person is representing the applicant in this transfer process.

☐ No RepresentativeName of Representative Charles E. Brockway- Brockway Engineering PLLC Phone 208-736-8543Mailing address 2016 Washington Street N. Suite #4 Twin Falls, ID 83301 Email _____☐ Send all correspondence for this application to the representative and not to the applicant.

OR

☒ Send original correspondence to the applicant and copies to the representative.☐ The representative may submit information for the applicant but is not authorized to sign for the applicant.

OR

☒ The representative is authorized to sign for the applicant. Attach a Power of Attorney or other documentation providing authority to sign for the applicant and label it **Attachment #4**.

I hereby assert that no one will be injured by the proposed changes and that the proposed changes do not constitute an enlargement in use of the original right(s). The information contained in this application is true to the best of my knowledge. I understand that any willful misrepresentations made in this application may result in rejection of the application or cancellation of an approval.

Signature of Applicant or Authorized Representative

Charles E. Brockway
Print Name and Title if applicable

Date

Signature of Applicant or Authorized Representative

George Kirk Manager
Print Name and Title if applicable1/20/12
Date

A. PURPOSE OF TRANSFER

1. ☐ Change point of diversion ☒ Add diversion point(s) ☒ Change place of use
☐ Change nature of use ☐ Change period of use ☐ Other _____
2. Describe your proposal in narrative form, including a detailed description of non-irrigation uses to justify amounts transferred (i.e. number of stock, etc.), and provide additional explanation of any other items on the application. Attach additional pages if necessary and label it **Part 1A.2**. Applicant seeks to add 1 point of re-diversion and expand place of use. Existing acre limit is not sought to be changed.

STATE OF IDAHO
DEPARTMENT OF WATER RESOURCES

APPLICATION FOR TRANSFER OF WATER RIGHT
PART 1 Continued

B. DESCRIPTION OF RIGHTS AFTER THE REQUESTED CHANGES. IF THE RIGHTS ARE BEING SPLIT, DESCRIBE PORTIONS TO BE CHANGED AS THEY WOULD APPEAR AFTER THE REQUESTED CHANGES.

1.	Right Number	Amount (cfs/ac-ft)	Nature of Use	Period of Use	Source & Tributary
All or Part ☒ ☐	37-458B	0.46 /	Irrigation	4-15 to 10-31	Clear Creek / Sinks
☒ ☐	37-2125	0.46 /	Irrigation	4-15 to 10-31	Unnamed Stream / Sinks
☐ ☐				to	
☐ ☐				to	
☐ ☐				to	
☐ ☐				to	
☐ ☐				to	
☐ ☐				to	
☐ ☐				to	

Total authorized under rights 0.46 cfs and/or _____ ac-ft

2. Total amount of water proposed to be transferred or changed 0.46 cubic feet per second and/or _____ acre-feet per annum.

3. Point(s) of Diversion:

- ☐ No changes to point(s) of diversion are proposed-the following chart is therefore not completed. (Proceed to #4.)
- ☐ Attach Eastern Snake Plain Aquifer analysis if this transfer proposes to change a point of diversion affecting the ESPA.
Label it **Attachment #5**.

New ?	Lot	¼	¼	¼	Sec	Twp	Rge	County	Source	Local name or tag #
		SW	SW	NE	4N	18E	31	BLAINE	CLEAR CREEK	
			NE	SW	4N	18E	31	BLAINE	UNNAMED STREAM	
XX			NW	SE	4N	18E	31	BLAINE	RE-DIVERSION	

4. Place of use: (If irrigation, identify with number of acres irrigated per ¼ ¼ tract.)

- ☐ No changes to place of use are proposed-the following chart is therefore not completed. (Proceed to #5.)

Twp	Rge	Sec	NE ¼				NW ¼				SW ¼				SE ¼				Acre Totals
			NE	NW	SW	SE	NE	NW	SW	SE	NE	NW	SW	SE	NE	NW	SW	SE	
4N	18E	31	0.4	0.8	9.3	2.1										12			24.6

Total Acres (for irrigation use) 24.6*

**STATE OF IDAHO
DEPARTMENT OF WATER RESOURCES**

**APPLICATION FOR TRANSFER OF WATER RIGHT
PART 1 Continued**

5. General Information:

- a. Describe the complete diversion system, including how you will accommodate a measuring device and lockable controlling works should they be required now or in the future: Clear Creek and unnamed stream currently are authorized to irrigate 11.5 acres when combined. Applicant seeks to add point of redirection and to expand place of use so that irrigation water furnished by permit 37-21489 and 37-8119 can be co-mingled for irrigation purposes with no expansion of irrigated area.

- b. Who owns the property at the point(s) of diversion? The Meadows LLC
If other than the applicant, describe the arrangement enabling the applicant to access the property for the diversion system: See attached agreement between The Meadows LLC and The Mid Valley Water Co LLC, and the Meadows LLC and Quail Creek LLC.

- c. Are the lands from which you propose to transfer the water right subject to any liens, deeds of trust, mortgages, or contracts? **If yes,** ☐ Attach a notarized statement from the holder of the lien, deed of trust, mortgage or contract agreeing to the proposed changes on official letterhead signed by an authorized representative. Label it **Attachment #6**. List the name of the entity and type of lien: N/A.

It is the applicant's responsibility to provide notice to lien holder, trustee, mortgagor, or contract holder of the proposed changes that may impact or change the value of the water rights or affected real property. Any misrepresentation of legal encumbrance on this application may result in rejection of the application or cancellation of an approval.

- d. Describe the effect on the land now irrigated if the place or purpose of use is changed pursuant to this transfer: N/A.

- e. Describe the use of any other water right(s) for the same purpose or land, or the same diversion system as right(s) proposed to be transferred at both the existing and proposed point(s) of diversion and place(s) use: 37-21489 and 37-8119 are proposed to be used as described in concurrent water right transfer application involving these two water rights.

*Number of authorized irrigated acres will not exceed 11.5 acres under these water rights within proposed 24.6 acres place of use.

- f. To your knowledge, has/is any portion of the water right(s) proposed to be changed:

Yes No

- | | | |
|--------------------------|-------------------------------------|---|
| ☐ | ☒ | undergone a period of five or more consecutive years of non-use, |
| ☐ | ☒ | currently leased to the Water Supply Bank, |
| ☐ | ☒ | currently used in a mitigation plan limiting the use of water under the right, or |
| ☐ | ☒ | currently enrolled in a Federal set-aside program limiting the use of water under the rights? |

If yes, describe: N/A.

Total Acres (for irrigation use) _____

Page _____ of _____

**IDAHO DEPARTMENT OF WATER RESOURCES
APPLICATION FOR TRANSFER OF WATER RIGHT
PART 2A**

Current Water Right No.: 37-458b

Current Owner: THE MEADOWS LLC

Priority Date: 6/1/1883

Origin: Adjudication Recommendation

Status: Active

Basis: Decreed

Source

CLEAR CREEK

Tributary

SINKS

Beneficial Use

IRRIGATION

From To

04/15 to 10/31

Diversion Rate

0.46 CFS

Annual Volume

Total Diversion

0.46 CFS

Location of Point(s) of Diversion

CLEAR CREEK

SW1/4SW1/4NE1/4

Sec. 31, Twp 04N, Rge 18E B.M.

BLAINE County

Place of Use

IRRIGATION Within BLAINE County

T04N R18E S31

NWSE

11.50

Total Acres: 11.5

Conditions of Approval:

1. E62 This right individually, or when combined with Right No. 37-458B, shall provide no more than .02 cfs per acre (0.23 cfs) when irrigating by sprinkler irrigation methods.
2. C05 Right includes accomplished change in place of use pursuant to Section 42-1425, Idaho Code.
3. Right Nos. 37-458B and 37-2125 are limited to a total combined diversion rate of 0.46 cfs when irrigating by furrow irrigation methods.
4. E56 The rights listed below are limited to the irrigation of a combined total of 11.5 acres in a single irrigation season. Combined Right Nos.: 37-2125, 37-458B.
5. C18 This partial decree is subject to such general provisions necessary for the definition of the rights or for the efficient administration of the water rights as may be ultimately determined by the Court at a point in time no later than the entry of a final unified decree. Section 42-1412(6), Idaho Code.

**IDAHO DEPARTMENT OF WATER RESOURCES
APPLICATION FOR TRANSFER OF WATER RIGHT
PART 2A**

Current Water Right No.: 37-2125

Current Owner: THE MEADOWS LLC
Priority Date: 1/28/1909
Origin: Adjudication Recommendation
Status: Active
Basis: License

Source

UNNAMED STREAM

Tributary

SINKS

Beneficial Use

IRRIGATION

From To

04/15 to 10/31

Total Diversion

Diversion Rate

0.46 CFS

0.46 CFS

Annual Volume

Location of Point(s) of Diversion

UNNAMED STREAM

BLAINE County

NE1/4SW1/4

Sec. 31, Twp 04N, Rge 18E B.M.

Place of Use

IRRIGATION Within BLAINE County

T04N R18E S31

NWSE

11.50

Total Acres: 11.5

Conditions of Approval:

1. C18 This partial decree is subject to such general provisions necessary for the definition of the rights or for the efficient administration of the water rights as may be ultimately determined by the Court at a point in time no later than the entry of a final unified decree. Section 42-1412(6), Idaho Code.
2. This right is subordinated to uses represented by upstream water rights 37-4130 and 37-4131.
3. C05 Right includes accomplished change in place of use pursuant to Section 42-1425, Idaho Code.
4. E56 The rights listed below are limited to the irrigation of a combined total of 11.5 acres in a single irrigation season. Combined Right Nos.: 37-2125, 37-458B.
5. Right Nos. 37-458B and 37-2125 are limited to a total combined diversion rate of 0.46 cfs when irrigating by furrow irrigation methods.
6. E62 This right individually, or when combined with Right No. 37-458B, shall provide no more than .02 cfs per acre (0.23 cfs) when irrigating by sprinkler irrigation methods.

Add'l Fee Paid \$540- Date 2.23.2012 Received by Receipt # 5032367



**MID VALLEY WATER CO. LLC c/o THE KIRK GROUP
SURFACE POU IN PPU TRANSFER
NAIP 2011 AERIAL PHOTO**

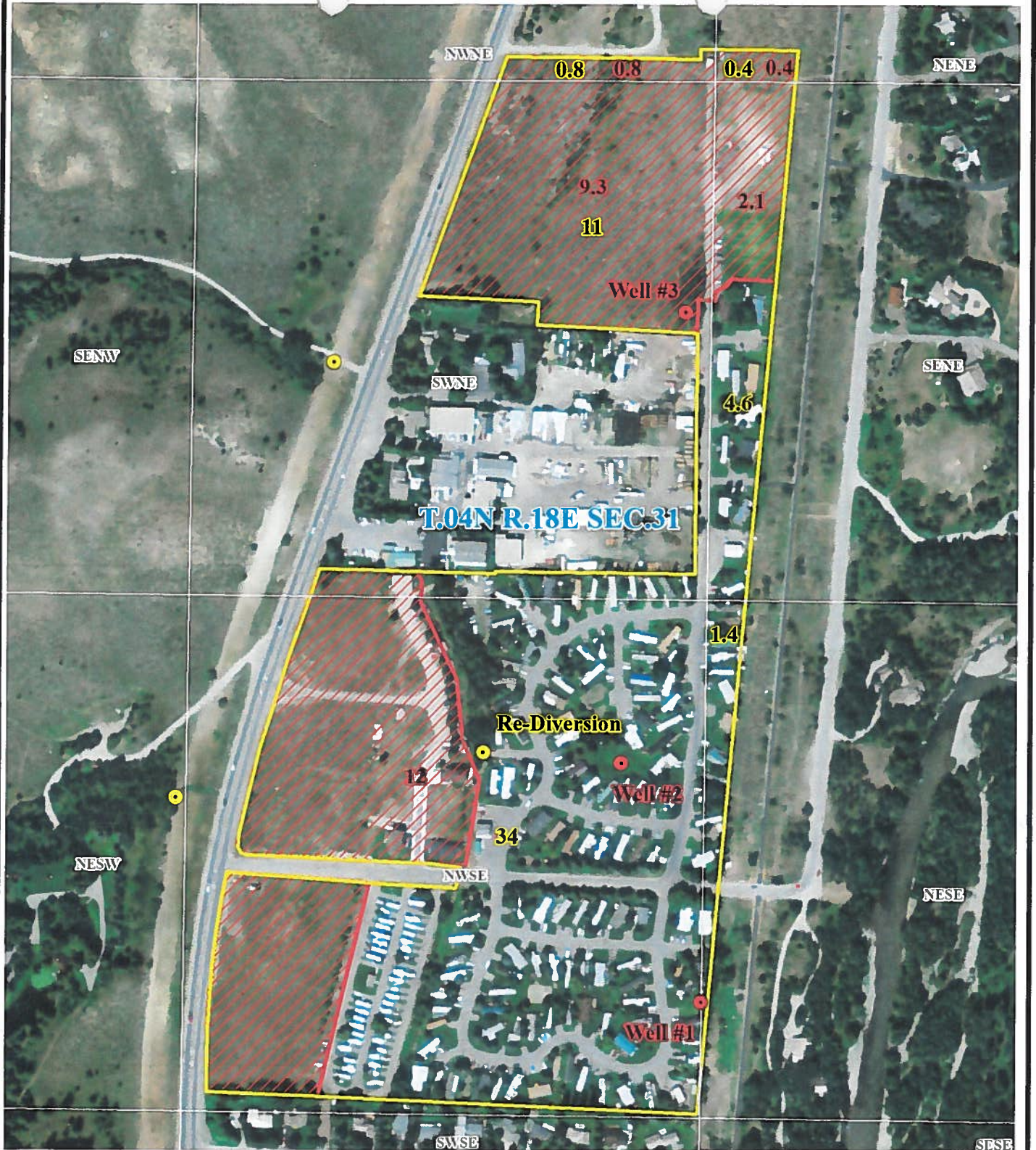
0 200 400 800 Feet



Legend

Irrig SW POU 11.5 AC.
Surface Water PPU 24.17 AC.
T.04N R.18E
Ground Water





**MID VALLEY WATER CO. LLC c/o THE KIRK GROUP
SURFACE AND GROUND WATER TRANSFER APPS.
NAIP 2011 AERIAL PHOTO**



BROCKWAY ENGINEERING, PLLC.
ALR - June 9, 2011
(ZL- 12/12/11)

0 185 370 740 Feet

Legend

- POD's**
- Ground Water
 - Surface Water
- Proposed PPU's**
- Surface Water PPU
 - Ground Water PPU
- T.04N R.18E

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**DEPT. OF WATER RESOURCES
SOUTHERN REGION**

**LIMITED LIABILITY COMPANY
OPERATING AGREEMENT
OF
MID VALLEY WATER COMPANY, LLC
An Idaho Limited Liability Company**

Lawson & Laski, PLLC
675 Sun Valley Road, Suite A
Post Office Box 3310
Ketchum, Idaho 83340

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LIMITED LIABILITY COMPANY OPERATING AGREEMENT OF MID VALLEY WATER & SEWER COMPANY, LLC

THIS AGREEMENT is entered into as of the 1st day of January, 2007, by and among KF, LLC, an Idaho limited liability company ("KF"), GRK, LLC., an Idaho limited liability company ("GRK"), Noswal, LLC., an Idaho limited liability company ("Noswal"), the Kirk Meadows Life Estate LLC, an Idaho limited liability company ("Kirk"), and each person who may hereafter execute this Agreement and who may be admitted as a Member.

ARTICLE I ORGANIZATIONAL MATTERS

1.1 Formation. The Members have caused a limited liability company to be formed under and pursuant to the provisions of the Act and enter into this Agreement in order to set forth the rights and obligations of the Members and certain matters related thereto. Except as expressly provided herein to the contrary, the rights and obligations of the Members and the administration and termination of the Company shall be governed by the Act.

1.2 Name. The name of the Company is "Mid Valley Water Company, LLC". The business of the Company may be conducted under any other name or names deemed advisable by the Managing Board, including the name of the Managing Board or any Affiliate. The Managing Board in its sole discretion may change the name of the Company at any time and from time to time. The Managing Board agrees to notify the Members in the event it elects to change the name of the Company or in the event it elects to conduct Company business under another name.

1.3 Registered Office; Principal Office. The registered office of the Company in the State of Idaho shall be 220 Second Avenue South, Suite 200 Ketchum, Idaho, and the registered agent for service of process on the Company at such registered office shall be George R. Kirk. The principal office of the Company shall be at Post Office Box 4380, 220 Second Avenue, Ketchum, Idaho 83340, or such other place as the Managing Board may from time to time designate to the Members. The Company may maintain offices at such other place or places as the Managing Board deems advisable.

1.4 Authority of Managing Board.

(a) Each Member hereby authorizes the Managing Board (and any successor thereof by merger, assignment, election or otherwise) with full power of substitution, in its name, place and stead:

(i) to execute, swear to, acknowledge, deliver, file and record in the appropriate public offices:

(A) the Articles of Organization and all other certificates and other instruments, and all amendments thereof, that the Managing Board deems appropriate or necessary to form or qualify, or to continue the existence or qualification of, the Company as a limited liability company in all jurisdictions in which the Company may conduct business or own property;

(B) any amendment to the Articles of Organization and all other instruments that the Managing Board deems appropriate or necessary to reflect any amendment, change or modification of this Agreement in accordance with its terms;

(C) all conveyances and other instruments or documents that the Managing Board deems appropriate or necessary to reflect the dissolution and liquidation of the Company pursuant to the terms hereof; and

(D) all instruments relating to the admission or substitution of any Member pursuant to Article XI; and

(ii) to sign, execute, swear to and acknowledge all ballots, consents, approvals, waivers, certificates and other instruments that the Managing Board deems appropriate or necessary to make, evidence, give, confirm or ratify any vote, consent, approval, waiver, agreement or other action made or given by the Members hereunder.

(b) The authority granted in Section 1.4 (a) hereof is hereby declared to be irrevocable and coupled with an interest and shall survive the death, incompetency, disability, dissolution, bankruptcy or termination of any Member and the transfer of all or any portion of its Ownership Interest and shall extend to such Member's heirs, successors, assigns and personal representatives. Upon request of the Managing Board, each Member agrees to execute such additional documents or instruments, including a separate form of power of attorney, as the Managing Board may deem necessary or appropriate to evidence and confirm the foregoing. Each Member hereby agrees to be bound by any representations made by the Managing Board, acting in good faith pursuant to such authority.

1.5 Term. The Company shall continue in existence perpetually unless duly terminated pursuant to any provision of this Agreement or by operation of law.

ARTICLE II DEFINITIONS; CONSTRUCTION OF AGREEMENT

2.1 Definitions. As used in this Agreement, the following terms shall have the meanings set forth below. A defined term has its defined meaning throughout this Agreement and in each exhibit, attachment and schedule attached to the Agreement regardless of whether it appears before or after the place where it is defined.

"Act" means the Idaho Limited Liability Company Act as it may be amended from time to time and any successor to such statute.

"Act of Bankruptcy" means any action or condition which would provide an adequate substantive basis for creditors to file an involuntary petition in bankruptcy.

"Additional Capital Contribution" means any Capital Contribution other than the Initial Capital Contributions.

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DEPT. OF WATER RESOURCES
SOUTHERN REGION

CONTRIBUTION, ASSIGNMENT AND CONVEYANCE

The Meadows, LLC and The Kirk Meadows Life Estate LLC (collectively, "Investors") for themselves and their respective successors and assigns, in consideration for the issuance of Preferred Membership Units, do hereby grant, transfer, assign, contribute and convey to Mid-Valley Water Company, LLC ("Company") and its successors and assigns, all of Investors' right, title and interest in and to the following assets ("Assets"):

1. Each of the assets and properties listed in Exhibit "A" attached hereto;
2. All of the personal property located in the building known as the well house pump building, Blaine County, Idaho, including carpet, window coverings, equipment, fixtures, appliances, furniture, tools and supplies.
3. All franchise, licenses, permits (including all discharge permits issued by the US Environmental Protection Agency), consents and other certificates of any regulatory, administrative or other governmental agency or body issued to or held by Investor necessary or incidental to the conduct of the Seller's business operated in Blaine County, Idaho to the extent the same are transferable;
4. All inventions, trade secrets, formula, processes engineering, technical data, art works, schematic drawings, secret processes, engineering drawings, proprietary rights, proprietary knowledge, know how, computer software, and programming know-how, marks, trademarks, trade names, symbols, service marks, logos, copyrights, and patents and all applications therefore, registrations thereof and all licenses or other rights to use any of the foregoing assets;
5. Any and all rights or claims (whether written or oral) and any causes of action or claims, including warranty or service rights relating to any of the foregoing assets;
6. All customer lists, drawings, files, papers and records of any type relating to the Business or the foregoing assets;
7. All goodwill of the Business; and
8. All causes of action, judgments and claims or demands of whatever kind or description arising out of or relating to the business.

TO HAVE AND TO HOLD said Assets, together with all rights belonging or pertaining to the same in any way, to Company, its successors and assigns, absolutely forever.

The Assets are delivered to Company free and clear of all loans, liens, mortgages, claims and encumbrances. Investors shall defend Company's rights in the Assets against the claims and

demands of all persons. Investors warrant and represent that they have full authority and right to enter into this Agreement and to convey the Assets without the consent of any other person.

The following miscellaneous provisions shall apply:

a. Investors will, whenever and as often as it shall be requested so to do by Company, and Company will whenever and as often as it shall be requested so to do by Investors, execute and acknowledge and deliver, or cause to be executed, acknowledged or delivered any and all such satisfactions, releases, powers of attorney, instruments of further assurance, approvals, consents, and any and all such further instruments and documents as may be necessary, expedient or proper, in order to complete any and all conveyances, transfers, sales and assignments herein provided, and to do any and all other acts and to execute, acknowledge and deliver any and all documents as so requested in order to carry out the intent and purpose of this Agreement.

b. The parties acknowledge and agree that the law firm of Lawson & Laski, PLLC of Ketchum, Idaho, has represented only the Company in all matters pertaining to the transaction governed by this Agreement, and that this law firm has advised Investor that a conflict of interest would exist if it were to represent all parties to this transaction. Investor acknowledges that they have been informed that they should consult an attorney and further that they have had the opportunity to consult an attorney at each and every phase of this transaction.

c. Every provision of this Agreement is intended to be severable. If any term or provision hereof is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity of the remainder of the Agreement.

d. The rights and remedies provided by this Agreement are cumulative and the use of any one right or remedy by any party shall not preclude or waive its rights to use any or all other remedies. Said rights and remedies are given in addition to any other rights the parties may have by law, statute, ordinance or otherwise.

e. Should any action be brought to interpret or enforce any provision hereof, or for damages for breach hereof, the prevailing party shall be entitled to such reasonable attorney's fees as may be determined by any court of competent jurisdiction wherein such action is brought.

f. This Agreement and the terms and provisions hereof shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto.

g. This Agreement supersedes all prior agreements between the parties hereto respecting such matter.

h. This Agreement shall be construed in accordance with the laws of the State of Idaho.

i. It is mutually understood and agreed that no presumption shall be deemed to exist in favor of or against any party hereto as the result of the preparation and/or negotiation of this Agreement.

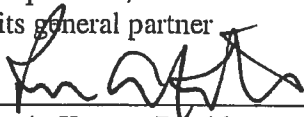
DATED this ____ day of _____, 2006.

The Meadows, LLC, an Idaho limited liability company

By: Rokan Partners, a limited partnership

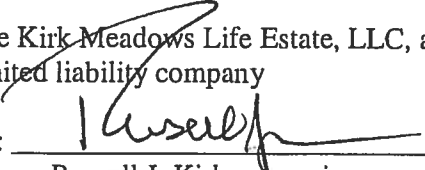
Its managing member

By: Rokan Corporation, a Delaware corporation, its general partner

By: 

Robert A. Kantor, President

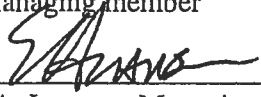
The Kirk Meadows Life Estate, LLC, an Idaho limited liability company

By: 

Russell J. Kirk, managing member

Mid-Valley Water Company, an Idaho limited liability company

By: Noswal, LLC, an Idaho limited liability company, its managing member

By: 

Edward A. Lawson, Managing Member

EXHIBIT A

All assets associated with and necessary to operate the water well and distribution system, including but not limited to:

- 1) All Water Rights, including those described as No. 37-458B, 37-2125, 37-459 and 37-8119.
- 2) Well
- 3) Pump/Turbine
- 4) Pressure Tank and Sensors
- 5) Air Compressor
- 6) Chlorination System
- 7) Water Distribution Lines
- 8) Supplementary Pressure Tanks
- 9) Domestic and Irrigation Services
- 10) Frost Free Hydrants
- 11) Easement for construction, maintenance, repair and replacement of distribution pipelines



RECEIVED

FEB 22 2012

DEPT. OF WATER RESOURCES
SOUTHERN REGION

1007G Warm Springs Road
P.O. Box 4380
Ketchum, Idaho 83340
(208) 726-6560
FAX (208) 726-6569

February 10, 2012

Idaho Department of Water Resources

Re: Water Rights for Clear Creek LLC development of property owned by The Meadows LLC and Gardner Price and Drashner Price LLCs

To whom it may concern:

Clear Creek LLC has a 99-year leasehold interest in property owned by The Meadows LLC and, under separate lease agreement, in property owned by Gardner Price LLC and Drashner Price LLC (leases attached). The purpose of the leases is for Clear Creek LLC to develop residential lots over the subject properties. Under the leases, Clear Creek is obligated to "obtain all zoning changes, permits, licenses, dispensations and other authority required for the contemplated use". Obtaining, transferring and/or permitting water rights ("water right activity") necessary for the contemplated use is part of that obligation.

Clear Creek LLC hereby authorizes Mid Valley Water Company LLC to act as it's agent to engage in such water right activity on it's behalf.

Sincerely,

Clear Creek LLC

A handwritten signature in black ink, appearing to be "George R. Kirk II", is written over the printed name "Clear Creek LLC".

By: George R. Kirk II
Its Manager

FILED EFFECTIVE

2012 JAN 11 PM 2:38

**STATEMENT OF CHANGE OF REGISTERED AGENT, CLERK OF COURT,
REGISTERED OFFICE, OR BOTH**
(See reverse for instructions)

File #: W3194

The undersigned entity submits the following statement for the purpose of changing its registered agent, its registered office, or both, in the State of Idaho.

1. The name of the entity is:

GRK, LLC

2. The name and street address of its
- ~~old~~
- registered agent and office is:

540 2nd Ave North #201
Ketchum, ID 83340

3. The name and street address of its
- new
- registered agent and office in Idaho is:

1007 Warm Springs Road #G

Ketchum, ID 83340

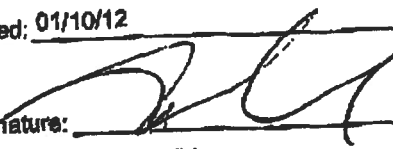
(not a PO box or P.M.B.)

I consent to serve as registered agent for the above-named entity.

(Signature of new registered agent)

(Date)

Dated: 01/10/12

Signature: 

Printed: George R Kirk

Capacity: Manager

FILE ONE COPY

change_re_m.pmd Rev. 07/2010

NO FEE REQUIRED

No. W 38364	Due no later than Apr 30, 2012 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. MID-VALLEY WATER COMPANY, LLC GEORGE R. KIRK POB 4380 KETCHUM ID 83340		EDWARD A LAWSON 675 SUN VALLEY RD STE A KETCHUM ID 83340			
			3. <u>New</u> Registered Agent Signature:*			
4. Limited Liability Companies: Enter Names and Addresses of at least one Member or Manager.						
Office Held	Name	Street or PO Address	City	State	Country	Postal Code
MANAGER	GEORGE R. KIRK	POB 4380	KETCHUM	ID	USA	83340
5. Organized Under the Laws of: ID W 38364		6. Annual Report must be signed.* Signature: Edward Lawson Name (type or print): Edward Lawson Date: 02/09/2012 Title: Authorized Agent				
Processed 02/09/2012		* Electronically provided signatures are accepted as original signatures.				

No. W 11842	Due no later than Apr 30, 2011 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. CLEAR CREEK, LLC ROBERT A KANTOR PO BOX 1271 KETCHUM ID 83340		GEORGE R KIRK 220 2ND AVE SOUTH # 201 KETCHUM ID 83340			
			3. <u>New</u> Registered Agent Signature:*			
4. Limited Liability Companies: Enter Names and Addresses of at least one Member or Manager.						
Office Held	Name	Street or PO Address	City	State	Country	Postal Code
MEMBER	GRKII, LLC	PO BOX 4380	KETCHUM	ID	USA	83340
MEMBER	KF, LLC	PO BOX 1271	KETCHUM	ID	USA	83340
5. Organized Under the Laws of: ID W 11842		6. Annual Report must be signed.* Signature: Robert A Kantor Name (type or print): Robert A Kantor Date: 03/11/2011 Title: Kf Llc, Member				
Processed 03/11/2011		* Electronically provided signatures are accepted as original signatures.				

RECEIVED

FEB 22 2012

DEPT. OF WATER RESOURCES
SOUTHERN REGION

MEMORANDUM OF LEASE AGREEMENT

THIS MEMORANDUM OF LEASE AGREEMENT is made this 17 day of January, 2001 between THE MEADOWS, LLC, an Idaho limited liability company, hereinafter called "Lessor", and CLEAR CREEK LLC, an Idaho limited liability company, hereinafter called "Lessee".

WITNESSETH

FOR AND IN CONSIDERATION of the mutual promises, covenants and conditions hereinafter set forth, the parties hereto acknowledge that a Lease Agreement was entered into as of July 1, 2000, covering certain premises located in Blaine County, Idaho, and that this instrument shall be recognized as a Memorandum of said Lease Agreement.

1. Leased Premises: Lessor leases to Lessee and Lessee leases from Lessor, those certain premises more particularly described in Exhibit "A" and Exhibit "B", attached hereto and incorporated herein by this reference ("the Premises").

2. Term: The term of the lease is for ninety-nine (99) years, commencing on July 1, 2000 and terminating on June 30, 2099, unless extended pursuant to the option or earlier terminated as provided in the Lease Agreement.

3. Options: Lessee is granted the right to extend the term of the Lease Agreement for fifty (50) years under certain terms and conditions. Lessee is also granted the right to purchase all or portions of the Premises under certain terms and conditions.

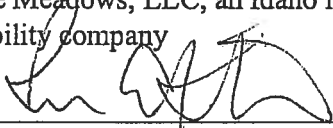
4. Relationship of Parties: The relationship entered into by the parties is that of Lessor and Lessee and no other. The Lessor is not the agent of the Lessee and the Lessee is not the

agent of the Lessor for any purpose, including performing construction upon the Premises, and it is agreed that the Lessor's interest therein is not therefore subject to lien by reason of any construction made on the Premises by the Lessee or any sub-lessee.

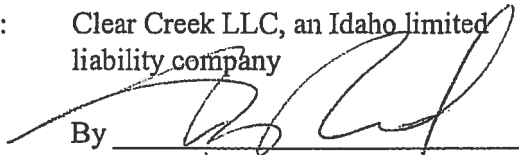
5. Purpose of Memorandum: This Memorandum is for the specific purpose of placing third parties on notice that The Meadows, LLC, Lessor, and Clear Creek LLC, Lessee, have entered into a Lease Agreement for the above-described real property.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement the day and year first above written.

LESSOR: The Meadows, LLC, an Idaho limited liability company

By 
Robert A. Kantor, Member

LESSEE: Clear Creek LLC, an Idaho limited liability company

By 
George R. Kirk, Managing Member

STATE OF IDAHO)
) ss.
County of Blaine)

On this 17 day of January 2001, before me, a Notary Public in and for said State, personally appeared ROBERT A. KANTOR, known or identified to me to be a Member of The Meadows, LLC, the limited liability company that executed the instrument, and 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.

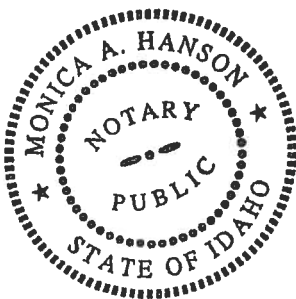


Monica A. Hanson
Notary Public for Idaho
Residing at Hailey Idaho
My commission expires 11/29/06

STATE OF IDAHO)
) ss.
County of Blaine)

On this 17 day of January 2001, before me, a Notary Public in and for said State, personally appeared GEORGE R. KIRK, known or identified to me to be the Managing Member of Clear Creek, LLC the limited liability company that executed the instrument, and 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.



Monica A. Hanson
Notary Public for Idaho
Residing at Hailey Idaho
My commission expires 11/29/06

Benchmark Associates

ENGINEERING, PLANNING, SURVEYING & MAPPING

P.O. Box 733 : 251 Northwood Way Ste. I

Ketchum, Idaho 83340

208-726-9512 : Fax 208-726-9514

DESCRIPTION OF A PARCEL OF PROPERTY
THE MEADOWS : A PORTION OF PARCEL 4A
THE PARK PARCEL

Within the NE1/4 SE1/4 Section 31, T4N, R18E, B.M., Blaine County, Idaho, a parcel of land known as the PARK PARCEL, being a portion of PARCEL 4A, THE MEADOWS, said Park Parcel being more particularly described by metes and bounds as follows:

Commencing at the northeast corner of said Section 31, said corner lying N00°06'17"E, 5,250.16 feet from the southeast corner of said Section 31, thence S39°52'12"W, 1,676.45 feet to the northeast corner of Parcel 4A, said corner being the True Point of Beginning. Thence S04°42'43"W, 608.56 feet; thence N87°33'00"W, 196.24 feet; thence N00°07'57"W, 598.58 feet; thence S89°53'36"E, 247.44 feet to the True Point of Beginning.

Said described parcel contains 3.07 acres.

October 31, 1995

95350PRK.DSC



EXHIBIT "A"

GALENA ENGINEERING, INC.**CIVIL ENGINEERS AND LAND SURVEYORS****PROPERTY DESCRIPTION****"NEW MEADOWS"**

January 8, 2001

A parcel of land located within the NE1/4 & SE1/4, Section 31, Township 4 North, Range 18 East, Boise Meridian, Blaine County, Idaho, more particularly described as follows:

Commencing at a 1-inch Iron pin by James A. Patterson, which marks the southeast corner of Section 31, thence North 45°38'47" West, 1801.27 feet to a 5/8 inch rebar;

thence North 87°53'50" West, 747.13 feet along the northerly boundary of Cold Springs Subdivision to a set aluminum cap marking the TRUE POINT OF BEGINNING;

thence North 87°50'11" West, 499.15 feet along the northerly boundary of Cold Spring Subdivision to a 5/8 inch rebar by J. U. B. Engineering lying on the easterly right-of-way of Idaho State Highway No. 75;

thence along a curve to the right, 1174.73 feet, with a radius of 3780.00 feet, a delta of 17°48'22", a tangent of 592.15 feet and a chord bearing North 10°24'02" East, 1170.02 feet along the easterly right-of-way of Idaho State Highway No. 75 to a brass cap by the Idaho Highway Department marking a point of tangency;

Thence North 19°18'13" East, 187.30 feet along the easterly right-of-way of Idaho State Highway No. 75 to a point which is witnessed by a 1/2 inch rebar by LS 1169 lying North 1.2 feet and West 1.3 feet from the corner;

thence South 89°03'19" East, 175.00 feet along the southerly boundary of the Animal Subdivision;

thence South 00°56'06" West, 80.00 feet;

thence South 66°42'54" East, 53.89 feet;

thence South 25°10'26" East, 165.38 feet;

thence South 13°20'27" East, 60.44 feet;

thence South 06°16'45" East, 59.95 feet;
thence South 00°41'42" East, 119.51 feet;
thence North 87°12'55" West, 18.96 feet;
thence South 04°04'59" West, 51.00 feet;
thence South 85°19'52" East, 91.02 feet;
thence South 04°40'46" West, 195.52 feet;
thence South 14°40'20" West, 61.46 feet crossing the Broadway Run
right-of-way;

thence South 14°40'20" West, 470.63 feet;

thence South 04°43'20" West, 88.00 feet, to the TRUE POINT OF
BEGINNING, containing 14.47 acres more or less.

Excluding the 60 foot wide Broadway Run right-of-way containing 0.79
acres, more or less. The net parcel area excluding said Broadway Run 60
foot right-of-way contains 13.68 acres, more or less.

MDC:cdw

LEASE

THIS LEASE is made and entered into this 1st day of July 2000, by and between **THE MEADOWS, LLC**, an Idaho limited liability company, ("Lessor") and **CLEAR CREEK LLC**, an Idaho Limited Liability Company ("Lessee"), and is as follows:

1. Real Property. In consideration of the rents herein reserved and of the covenants and agreements herein contained on the part of the Lessee to be kept, observed and performed, the Lessor has demised and leased, and does by these presents demise and lease unto the Lessee, and the Lessee has hired and taken, and does by these presents hire and take from the Lessor the following described real property situated, lying and being in Blaine County, Idaho, described on Exhibit "A" attached hereto and incorporated herein as a part hereof (the "Real Property"). This Lease is one of two identical leases covering property described on Exhibit "B" attached hereto and incorporated herein as a part hereof (the "Total Acreage").

2. Term. The term of this Lease shall commence on the 1st day of July 2000 and shall continue for a period of ninety-nine (99) years ending on June 30, 2099. This Lease contains an option to extend the term and option to purchase the property as set forth hereinafter.

3. Use. the Real Property, in common with other real property covered by similar leases (the "Total Property") shall be used primarily for the development of residential single-family dwelling lots. The lots will be developed with houses and subleased to homeowners who will purchase homes constructed on the subleased lots. A portion of the Total Acreage may be developed for commercial use, subject to obtaining all required zoning and permits from all applicable governmental bodies and other agencies or institutions.

Lessee shall obtain all zoning changes, permits, licenses, dispensations and other authority ("Such Permits") required for the contemplated use. If Lessee is unable to obtain Such Permits by July 1, 2002, Lessor or Lessee may terminate this Lease without further liability to the other. If either party so elects, the Real Property shall cease to be subject to this Lease and neither Lessor nor Lessee shall be any further obligation on this Lease.

4. Rental. The Lessee shall pay to the Lessor upon Execution of this Lease, the initial sum of One Thousand Dollars (\$1,000.00). Further, the Lessee shall pay to the Lessor for the Lease term an annual base rent of Eight Thousand Dollars (\$8,000.00) per acre per year, subject to adjustment as set forth below. The Additional Rental provided for in Paragraph 21 will be paid as set forth in that paragraph. The annual base rental shall be paid in substantially equal monthly installments in arrears, calculated as follows:

(a) The annual base rent is fixed at \$8,000.00 per acre per year.

(b) Annual base rental shall be payable only as to any acre upon the sublease of one lot, up to and including the average number of lots per acre allowed by the zoning and

authority, thereafter, annual rent on each additional acre shall commence upon the sublease of the next (one more than the maximum allowable) lot, no matter where located within the Total Acreage, from and after such time a lot or a commercial space on such acre shall be developed and subleased to an end user home owner or commercial tenant.

(c) The rental paid by Lessee or Sublessees shall be allocated to the Lessor's Real Property in the proportion that the area of Lessor's Real Property bears to the Total Acreage, as set forth on Exhibit "C" attached hereto and by this reference made a part hereof, it being understood that rental payments will be pooled and allocated among the Lessor of the total Acreage without reference to whether individual Real Property is or is not developed and subleased.

(d) In the determination of occupied areas of any commercial property, an acre shall be deemed occupied if that acre contains a building or common area (e.g., parking, sidewalks, etc.) which serves an occupied area which is leased or sold.

All rent shall be paid to the Lessor at such place as the Lessor may, from time to time, designate by written notice to the Lessees.

The rental and all other sums which are to be paid or repaid by the Lessee to the Lessor according to the provisions of this Lease shall be paid in lawful money of the United States of America.

5. Taxes and Assessments. The Lessee will require that each Sublessee covenant and agree to pay and discharge all taxes, assessments, impositions, levies and charges of every kind, nature and description, whether general or special (including, without limitation, utility, garbage and water charges or assessments) ("taxes" or "such taxes or assessments"), ordinary or extraordinary, which may be at any time, or from time to time, from governmental, legal, political or other authority whatsoever, directly or indirectly taxed, levied, charged, assessed or imposed upon or against, or which shall be or may be or become a lien upon the Real Property or this Lease or any part of any buildings, improvements or structures at any time located on the land hereby leased or any estate, right, title or interest of the Lessor and/or of the Lessee in and to said leased remiss or said buildings, improvements or structures; provided, however, that in no event shall the Lessee be required to pay or discharge any of the following:

(a) Any estate, inheritance, succession or gift tax or taxes upon or against any estate or inheritance or right of succession or interest or gift of the Lessor.

(b) Any tax which may be levied by the United States of America or a State thereof or any political subdivision thereof, upon or against the income or profits of the Lessor or upon any sale or conveyance or encumbrance of the demised property made by the Lessor.

(c) Any taxes that may be levied upon or against any personal property of the Lessor, and any tax that may be levied on account of any real property of the Lessor, other than the Real Property described in this Lease.

(d) Any franchise, capital stock excise, social security, unemployment, sales, use or withholding tax levied or assessed against the Lessor or any other tax, assessment, imposition, levy or charge which has no direct relation to the demised premises, levied or assessed against the Lessor and not against the demised premises except for the failure of the Lessor to pay the same.

Taxes shall be prorated if the term of a sublease commences or ends on a date other than the commencement or termination of a tax year.

Such taxes or assessments shall be the responsibility of Lessor until such time as rental becomes payable on the Real Property pursuant to Paragraph 4. If rental is payable on some, but not all, of the Real Property, taxes on the part where rental is not payable shall be the responsibility of Lessor. All taxes paid by Lessor from the commencement date of this Lease shall be reimbursed to Lessor out of the proceeds from the sublease commencement fee of each subleased portion of the property.

Lessee shall have (and shall grant to sublessees) the privilege, before delinquency occurs and upon prior written notice to Lessor, the sole cost and expense of the contesting party, to contest in the contestant's name or that of the Lessor the legality or validity of any such taxes or assessments, provided that the contestant shall forthwith take such action (including, without limitation, the furnishing of bonds or other security) as may be necessary to prevent any sale of the Real Property pending such contest and provided further that the contestant shall cause said contest, whether it be legal action or whatsoever the form thereof, to be Prosecuted to a conclusion with all reasonable dispatch, and shall within five (5) days after the final determination of the legality or validity of the tax or assessment involved in said contest, if said determination be adverse, pay and discharge the amounts involved in or affected by such contest, together with any penalties and interest that may have attached thereto or accrued thereon.

Lessee will require that each sublessee covenant and agree to obtain and deliver duplicate tax receipts of all taxes and assessments made on said premises of every kind and nature whatsoever and all such taxes and as such receipts should be paid and made out in the name of the Lessor, or their heirs, executors, administrators or assigns. Lessee shall require that each sublessee agree to pay when due all principal and interest accruing on any construction loan or other loan, which shall be secured by mortgage or deed of trust upon the leasehold estate.

6. Improvements. Lessee shall have the right (which may be conferred upon a sublessee) at Lessee's own cost and expense, to develop the Real Property into single family dwelling unit lots and the commercial use provided for in Paragraph 3, installing and extending streets, curbs, gutters, sidewalks and similar improvements, services and utilities thereto and constructing dwelling units thereon for sale and commercial facilities for rent or sale. All improvements shall comply and be constructed in accordance with all municipal, county, state, federal or governmental laws, rules, regulations or orders in any way applicable thereto, specifically including subdivision laws, rules, regulations and orders.

Lessor, subject to and contingent upon Lessor's review and approval of the improvement costs, loan documents and terms, which approval shall not unreasonably be withheld, and subject to approval of the Lender as provided hereinafter, agrees to subordinate this Lease to one or more loans for Real Property improvements necessary to create residential lots or commercial use property, but such subordination will not extend to the cost of the building construction. The Lessee shall solicit proposals from one or more lending institutions in Idaho including Bank of America, First Security, US Bank, Wells Fargo Bank and First Bank of Idaho, for such loan and submit such proposals to Lessor for consideration. Lessor may select the lender or defer the selection to Lessee at their election. The loan proceeds shall be used solely for development and construction of improvements on the Total Property. Lessor will execute all documents reasonably required to accomplish such subordination, including mortgages, notes and trust deeds, so long as Lessor has no personal liability thereon, provided, however, Lessee shall provide Lessor with the same guarantees as required by the Lender, or a letter of credit in acceptable form as security for payment in full by Lessee of the construction loans for improvements on the property and loan for Real Property. Improvements to which Lessor subordinates will be repaid either prorata or on some other mutually agreed bases from construction loan proceeds or from proceeds of a sale of a leasehold interest in a lot or commercial property (or rental thereof) to a sublessee or from other sources prior to commencement of any construction of buildings.

Lessee agrees to provide adequate sewer and water to the Total Acreage in compliance with all governmental laws, specifications and regulations for which a connection and user fee will be charged the sublessee/homeowner comparable to that charged by the City of Ketchum. Upon termination of this Lease the sewer and water improvements and the right to access the sewer and water systems serving the Total Acreage shall become the property of Lessor. Lessor agrees to join in reciprocal easements as necessary to effectuate the provisions of this paragraph.

7. Sublease Improvements. The construction lender, loan documents and terms, and improvement costs for financing for construction of residences on the lots by Lessee shall be subject to the approval of Lessor, which approval shall not unreasonably be withheld. The Lessee shall solicit proposals from lending institutions in Idaho including Bank of America, Wells Fargo Bank, US Bank, and First Bank of Idaho for such construction loan and submit such proposals to Lessor for consideration. Lessor may select the lender or defer the selection to Lessee at their election.

8. Public Utilities. Lessee will require that each sublessee agree to pay for all utilities, including water, gas, sewage, heat, electricity, power or other public utility used upon or furnished to any part of the Real Property during the full term of this Lease.

9. Insurance. Lessee shall require that each sublessee, or alternatively, the Homeowners Association made up of sublessees throughout the term of any sublease, maintain public liability and property damage insurance in a form and coverage amounts acceptable to

Lessor, and name Lessor and Lessee as parties insured. The policies shall require that the insurance carrier notify Lessor and Lessee at least thirty (30) days prior to any cancellation.

10. Use of Premises - Compliance with Laws and Regulations. Without limiting the provisions of Paragraph 3 hereof, Lessee hereby agrees, and will require that each sublessee agree, that the building or buildings which may at any time exist upon the Real Property shall be used only and exclusively for lawful and legitimate purposes; that Lessee or a sublessee will not use, nor suffer nor permit any person to use or occupy in any manner whatsoever the leased Premises or any buildings or other improvements thereon, or any part thereof, for any extra hazardous purpose, nor for any purpose, nor in any manner or use in violation of any law or ordinance or of any governmental, political or military order or regulation.

11. Buildings and Repairs and Maintenance. Lessee will impose covenants, conditions and restrictions binding on all sublessees, which require architectural approval of any structures to be erected on the total Acreage and to require a reasonable obligation for maintenance, repair and upkeep of the property and any improvements thereon. The covenants, conditions and restrictions shall be subject to Lessor's approval, which shall not be unreasonably withheld.

Each sublessee of a dwelling lot or of unimproved commercial space will be given the right to construct a dwelling unit or commercial facility (as the case may be) subject to the architectural control and other standards set out in the covenants, conditions and restrictions.

12. Indemnification of Lessor and Lessee; Injury to Person and Damage to Property. Lessee will require that each sublessee covenant and agree that it will hold and save Lessor and Lessee harmless during the full term of each sublease from any and all injury, loss or damage which may occur to any person (specifically including each subtenant and the family members, guests and invitees of each subtenant) or to any goods, wares or merchandise, effects or property of any and all kinds and character in or upon the Real Property, or any building or improvement situated thereon or the appurtenances thereunto belonging or in other property if caused by acts or omissions on the demised property, howsoever caused or occasioned and arising from any cause whatsoever; and also that it will hold and save Lessor and Lessee harmless from any and all loss or damage for personal injuries received by any person or persons, and howsoever caused or arising, in or upon the demised premises, or any building or improvements situated thereon, or the appurtenances thereunto belonging.

13. Mechanics' and Other Liens. The Lessee hereby agrees and will require that each sublessee agree to keep the Real Property and the improvements thereon or hereafter erected or placed thereon, and every part thereof; and every estate, right, title, and interest therein, or in or to any part thereof at all times during the term of this Lease, free and clear of mechanics' liens and other liens for labor, service,, supplies, equipment or materials, and that it will at all times fully pay and discharge and wholly protect and save harmless Lessor and all and every part of the estate, right, title and interest of Lessor in and to all and every part of said demised premises and improvements, against any and all demands or claims which may or could ripen into such liens or labor claims, provided, however, that the Lessee or a sublessee may, if such party furnishes Lessor

(and, if appropriate, Lessee) with a bond or other security against loss or liability by reason thereof which said bond or other security shall by reason thereof which said bond or other security shall be satisfactory to Lessor, contest, at Lessee's (or a sublessee's) sole cost and expense, any such liens or claims and litigate the same to final judgment; and provide further that in the event the Lessee shall have taken an appeal an adverse judgment, Lessee shall at all times during the pendency of such appeal prevent the execution of such judgment pending appeal.

Lessee will file the appropriate notices of nonresponsibility on behalf of Lessor and Lessee upon becoming aware of any construction activity by any sublessee and shall require that each sublessee notify Lessee prior to commencement of any construction work.

14. Alterations, Repairs, Etc. Lessee shall have the right (and shall give sublessees the right) to make alterations, improvements, additions or repairs to any building on the Real Property, at any time, and shall have the right to tear down and demolish any building and to reconstruct or replace any building. All such work shall be performed in accordance with all applicable ordinances, laws, regulations, and orders and shall be subject to architectural controls and covenants, conditions and restrictions.

15. Mortgage and/or Encumbrance of Leasehold Interest. Nothing in this Lease shall be construed as restricting the right of one Lessee or any sublessee to encumber by mortgage, deed of trust or other appropriate instrument its interest in and to the leasehold estate, and Lessee is hereby expressly given the right (any may give each sublessee the right) to encumber its interest in this Lease or the sublessee's sublease, by mortgage or deed of trust or other appropriate instrument. The mortgage or trustee in any such mortgage or deed of trust, and the holder or owner of the indebtedness secured by said mortgage or deed of trust, or other instrument, shall not become personally liable upon the covenants of this Lease. Any purchaser at any foreclosure sale must expressly assume and agree to perform any and all covenants and provisions of this Lease, and nothing herein shall be construed to prevent Lessor from exercising any remedy available to it by law or pursuant to this Lease.

If the leasehold estate hereby created, or created by any sublease, shall be conveyed by mortgage or deed of trust, or other form of security, Lessee or mortgagee or trustee will notify Lessor of that fact, and shall, in writing, give the name of the mortgagee or trustee named in said encumbrance and the address of such mortgagee or trustee. Lessee shall impose the same obligation to convey notice on any sublessee. If Lessor is notified in writing of any sublease and of any conveyance and of the name and address of the sublessee, mortgagee or trustee, then (but not otherwise) so long as such mortgage or deed of trust shall continue in force, notice of the default in the performance of this Lease of the same kind and in the same manner and for the same length of time is as is hereby required to be given to the Lessee, shall also be given to any sublessee, mortgagee or trustee before any default can be taken advantage of by Lessor under this Lease, and said sublessee, mortgagee or trustee may cure any such default within the time provided for herein in which the Lessee may cure such default.

Any person ("person" embracing persons, firms, associations or corporations) who

may acquire the interest of the Lessee in the demised premises and in this Lease under foreclosure of security shall be subrogated to all the rights of the Lessee herein and shall be recognized by the Lessor as Lessee hereunder, or undertaking on the part of the Lessee herein contained and subrogee shall cure the same, and provided further, that said Lease shall not have therefore been terminated.

Nothing in this Lease shall be construed to vest in any further mortgagee, trustee or other encumbrancer any right, title or interest in the Real Property demised hereunder superior to that of the Lessor. Furthermore, nothing in this Lease shall be construed to render the Lessor personally liable on any obligation of the Lessee or any sublessee.

16. Default of Lessee; Right of Termination by Lessor. If the Lessee shall at any time be in default in the payment of any installment or installments of the rental herein reserved, or in the payment or repayment of any tax, assessment, rate levy, toll charge, impost, duty or other similar obligation or liability, or in the payment or repayment of any other sum of money which the Lessee has agreed to pay or repay to the Lessor, or otherwise, as herein provided, and such default shall continue for ten (10) days after written notice of the same has been given by the Lessor to Lessee, or if the Lessee shall otherwise in any manner or at all be or become in default or suffer any default to occur in any of the other covenants, agreements, obligations, conditions or provisions of this Lease to be kept or performed by the Lessee and such default shall continue for thirty (30) days after written notice of such default has been given by the Lessor to the Lessee (provided that Lessee shall not be deemed to be in default if Lessee commences the work of curing such default within the said thirty (30) day period and diligently and expeditiously carries the same to completion), the Lessor, at or after the expiration of said respective periods of grace may, at its option, and in addition to other remedies provided by law or equity, and without further notice or demand, terminate this Lease and may enter in and upon the leased premises and the building and improvements, either with or without the process of law, and may remove all persons therefrom and repossess itself of said demised property, and no compensation, damage, or allowance shall be made to Lessee for any buildings or additions thereto or improvements thereof erected or undertaken or performed at any time by it, and all right, title and interest of the Lessee in or to said leased land, premises, buildings and improvements, whether in law or in equity, shall immediately cease and terminate, all with the same force and effect as if this Lease had duly expired by efflux of the full period for which the demised premises are hereunder demised. If the Lessor shall so terminate this Lease, Lessor shall succeed to the rights and benefits of Lessee under and recognize, accept and honor the rights of any sublessee and the rights of sublessees shall not be terminated by the termination of this Lease. If Lessor elects not to terminate this Lease, Lessor shall be entitled to interest at the rate of eighteen percent (18%) per annum on the default of the payment of rent in the event the Lessee fails to pay the delinquent rent during the ten (10) day cure period to and until such delinquency is paid in full.

17. Actions by or Against Lessor, Right to Attorneys' Fees. Lessee agrees that it will indemnify the Lessor against and pay and discharge any and all proper costs and expenses (including all reasonably attorneys' and counsel fees) that may at any time or times result from or arise out of, or that the Lessor may be put to, sustained or incurred by reason of any default or failure on the part of the Lessee to comply in any respect with, or observe any requirement or

provision of this Lease, or that the Lessor may sustain, be put to or incur in enforcing or properly seeking to enforce any of the terms, obligations or covenants thereof; and further, that in case of any suit or proceeding (including arbitration within the definition of proceeding) brought by the Lessor to enforce or secure the performance or observance or to prevent the breach or violation of any of the covenants or provisions of this Lease, or in case of any other suit or proceeding at law or in equity, wherein the Lessor shall be or become a party defendant because of any act, omission or default of or claim against the Lessee, or of anyone claiming or claim by, through or under the Lessee, or of any occupant of said Premises, and arising out of or howsoever connected with this Lease, or the demised Premises, or the improvements thereon situated, the reasonable costs, expenses and attorneys' and counsel fees incurred or paid by the prevailing party (as between Lessor and Lessee) in or about any and every such suit or proceeding in the institution or commencement or defense thereof shall be forthwith repaid, refunded and allowed by the losing party and may be included, and their payment provided for, in any decree or judgment rendered in the suit or proceeding by reason whereof or wherein the same shall have been incurred or paid, or may be otherwise recovered.

18. Priority of Lease. Lessor expressly covenants and agrees that the leasehold estate and/or interest of the Lessee arising out of the execution and delivery and/or recordation of this Lease shall, throughout the term of this Lease, be at all times superior to any lien or encumbrance of any kind, character or extent created or imposed by the Lessor or suffered to be created or imposed upon or against the Real Property and/or improvements now or hereafter existing thereon. Should Lessor create or impose, or suffer to be created or imposed, upon or against the Real Property or improvements thereon, any lien or encumbrance superior to the leasehold estate or the interest of the Lessee arising out of the execution and delivery and/or recordation of this Lease, and should not, within sixty (60) days, release such lien or encumbrance, the Lessee is given the right to pay any sum required to discharge and release, and shall be entitled to reimbursement from the Lessor in such amount together with legal interest thereon from the date of payment by the Lessee; and in the event of failure of the Lessor to so repay the same, may credit said amount upon rental installments immediately next accruing hereunder.

19. Tenants in Possession. Lessor hereby warrants that at the time of the commencement of the term of this Lease, the demised premises shall be free of Leases and tenancies.

20. Holding Over. Any holding over after the expiration of one term of this Lease, with the consent of Lessor, shall be construed to be a tenancy from month to month at the same rental and upon the same covenants and conditions as existed at the date of expiration of said term.

21. Additional Rent. Lessee expects to subdivide the Total Acreage into single-family residential lots (including amenities such as, for example, park, tennis and clubhouse facilities (with limited commercial facilities as provided for herein). Each residential lot will be subleased to a homeowner user who will either purchase a pre-constructed home (which may be a home constructed by Lessee) or construct a home on the lot. Leasehold interests in lots may be sold to builders and developers who will construct residences or commercial facilities for sale or subletting

to others. The expectation is that the sublessee will make a payment equal to the cost of the improvements to the lot, including reimbursement of property taxes to Lessor pursuant to Paragraph 5. The income derived from the sublease rental on the Total Property shall be allocated as follows:

- (a) Ten percent (10%) shall be allocated to Lessee as a management fee.
- (b) The base annual rental will be paid to Lessor and other Lessors of the Total Acreage (which may include Lessee or an affiliate of Lessee).
- (c) Overhead costs; including costs for property management, accounting, office supplies and other expenses related to the operation of the project shall be paid to Lessee. When the Real Property is fully subleased, the cost of these items shall be five percent (5%) of such Lease income.
- (d) The balance shall be paid fifty percent (50%) to Lessee and fifty percent (50%) to the Lessors of the Total Acreage as additional rent to be allocated between those Lessors as provided in Paragraph 4.

Lessee contemplates that subleases of residential lots will have rental increases every three (3) years of six percent (6%) over the term of the subleases. Lessee shall provide Lessor with subleases prior to execution for review and approval which approval shall not unreasonably be withheld.

22. Arbitration. Any dispute arising out of this Lease shall be resolved by arbitration conducted pursuant to the Commercial Arbitration Rules of the American Arbitration Association.

23. Waiver of Subrogation. Provided that Lessee or a sublessee has obtained the insurance herein provided for, Lessor hereby releases Lessee from any and all claims or demands arising out of injury or damage to the Real Property or improvements thereon from the perils herein required to be insured against, the purpose of this release being to waive subrogation against Lessee insofar as such subrogation can lawfully be waived by Lessor. Lessee hereby releases Lessor and any agents or employees of Lessor from any and all claims or demands arising out of injury or damage to persons or property, including the Real Property from the perils herein required to be insured against, the purpose of this provision being to waive subrogation against Lessor, and the employees or agents of Lessor, insofar as such subrogation can lawfully be waived by Lessee. Each party agrees to call the provisions of this paragraph to the attention of any insurance company concerned and to take such steps as may be necessary to make certain that such insurance company shall recognize and be bound by these waivers of subrogation.

24. Service of Notices. Any notice or demand or statement or instrument which either of the parties hereto may desire to serve upon the other in furtherance of any provision of this Lease, will be sufficiently served if the same is personally delivered, sent by overnight courier (such as Federal Express), or sent by certified or registered mail, postage prepaid, with return

receipt requested, addressed to the Lessee in care of Robert A. Kantor or to any other person or to any other address which Lessor may be notified of in writing by Lessee, and in the instance of the Lessor at P.O. Box 1200, Hailey, Idaho 83333, or to such other address as Lessee may be notified of in writing by Lessor.

25. Free Transferability. Lessor acknowledges and agrees that sublease interests in residential lots and commercial property shall be freely transferable by Lessee and by sublessees, subject only to reasonable credit requirements to be set out in each sublease. All administrative costs of these transfers shall be paid by subtenants and not by Lessor.

26. Ownership of Improvements. All improvements erected or placed on the demised premises shall remain on and shall not be removed from the demised premises. At the expiration of this Lease Agreement or any extension hereof, all such improvements shall be the property of Lessor.

27. Termination. Lessor, at its option, may terminate this Lease as it affects the Real Property that is not subleased if fifty percent (50%) of the Real Property has not been subleased within five (5) years from the date of adoption of the County Comprehensive Plan permitting the development contemplated herein, or if ninety percent (90%) of the Real Property has not been subleased within ten (10) years from the date of this Agreement. If Lessor elects to terminate this Lease, Lessor shall assume and be responsible for their pro rata portion of the balance due on the Note, if any, secured by the Total Property as provided by Paragraph 6 hereinabove, to the extent the Note evidences an obligation the proceeds of which were used to make actual physical improvements on the Real Property.

28. Miscellaneous. Each and all of the various rights, powers, options, resources and remedies of the Lessor and Lessee contained or provided for in this Lease shall be construed as cumulative, and no one of them as exclusive of the other, or as exclusive of any remedies allowed by law.

No delay of Lessor or Lessee in enforcing any right, remedy, privilege or recourse accorded to the Lessor or Lessee by the express terms hereof or by law, shall affect, diminish, suspend or exhaust any of such rights, remedies, privileges or recourses.

None of the covenants, terms or conditions of this Lease to be kept and performed by the Lessee or Lessor shall in any manner be altered, waived, modified, changed, or abandoned, except by a written instrument, duly signed and acknowledged, and delivered by both parties and not otherwise, and that no act or acts, omission or omissions, or series of acts or omissions or waiver, acquiescence or forgiveness by either party as to any failure of performance either in whole or in part of the other party, of any of the covenants, terms or conditions of this Lease shall be deemed, or construed to be a waiver by Lessor or Lessee of the right at all times in the future to insist upon the full performance by the other party of each and all of the foregoing covenants, terms and conditions thereafter to be performed, according to the provisions of this Lease, in the same manner and to the same extent as the same are above covenanted to be performed by the Lessee.

Each and all of the covenants, agreements, obligations, conditions and provisions of this Lease shall inure to the benefit of and shall bind (as the case may be) not only the parties hereto, but each and all of the heirs, executors, administrators, successors and assigns of the respective parties hereto, or any of them, and whenever and wherever a reference is made to the Lessor herein or to the Lessee herein, such reference shall be deemed to include the respective heirs, administrators, executors, successors and assigns of the Lessor or the Lessee, as the case may be; and all of the promises, covenants, agreements, obligations, conditions and provisions contained in this Lease shall be construed to be, and as, covenants running with the land; provided, however, that nothing contained in this paragraph or provisions shall be deemed to permit an assignment of the interest of any Lessee hereunder without Lessor's prior written consent.

Any consent to any one assignment by Lessor shall not constitute consent to any other or further assignment.

This Lease shall not be recorded, but Lessor and Lessee agree to execute and acknowledge a Memorandum of Lease for recordation.

All prior negotiations between the parties are embodied herein, and this Lease sets forth the entire agreement between the parties hereto. None of the terms hereof may be varied by any oral agreement.

Idaho law shall apply in the interpretation and enforcement of this Lease.

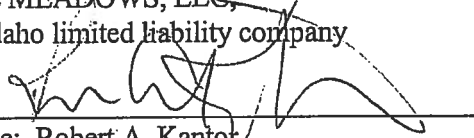
29. Option to Extend. Lessor and Lessee acknowledge that Lessee may provide in a sublease an option to extend the term of the sublease beyond the term of this Lease and Lessor agrees the sublessee may extend the term of the sublease, provided that such extension of the sublease may not be exercised if there is an uncured default of the sublease. Lessee or its successor may extend this Lease on the same terms and conditions for a further term of fifty (50) years by giving notice to Lessor or Lessor's successor on or before the expiration of the ninety-fifth (95th) year of the original term of this Lease, provided that no such extension shall be effective to extend this Lease beyond the maximum term allowed by law.

30. Option to Purchase. Lessor and Lessee acknowledge that Lessee may provide an option to acquire any residential lot that is subleased from Lessee by the new sublessee/homeowner. Lessor agrees to become a party to this option to purchase provided that no sublessee/homeowner can exercise an option to acquire their lot if there is an uncured default of the sublease or prior to thirty (30) years from the date of the sublease. If the option to purchase is properly exercised, Lessor agrees to convey by warranty deed the residential lot to the sublessee free and clear of all liens or encumbrances, including this Lease. The price of the lot will be twelve (12) times the annual rent at the time the option to purchase is exercised. The price of the lot shall be paid in cash at the time of closing, unless otherwise agreed between the parties. Proceeds of the sale will be divided between Lessor and Lessee in proportion to their sharing of the lease revenue as provided in this lease agreement. For example, if there are four (4) lots to the acre and the rent per

lot at the time of sale is \$7,000, the total net rental for that acre would be \$28,000 and the sale price for the four lots would be \$336,000. The sharing of revenue would be \$4,200 in management fees and overhead to lessee; \$8,000 base rent to lessor and \$7,900 to both lessor and lessee as profit share. Thus, total revenue would be split \$15,900 to lessor and \$12,100 to lessee. Proceeds of sale would be split 57% to lessor and 43% to lessee. Lessee would pay all costs of sale, including but not limited to the brokerage commissions, from their share of the revenue splits.

IN WITNESS WHEREOF, the parties have executed this Lease.

LESSOR: THE MEADOWS, LLC,
an Idaho limited liability company

By: 

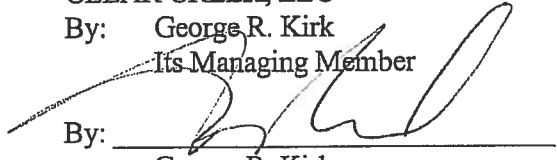
Name: Robert A. Kantor

Title: Member

LESSEE: CLEAR CREEK, LLC

By: George R. Kirk

Its Managing Member

By: 

George R. Kirk

STATE OF IDAHO)
) ss.
County of Blaine)

On this 29 day of December, 2000, before me, a Notary Public in and for said State, personally appeared ROBERT A. KANTOR, known or identified to me to be [one of the members/one of the managers/ the manager] of the limited liability company of THE MEADOWS, LLC, and [one of the members/one of the managers/the manager] who subscribed said company name to the foregoing instrument, and acknowledged to me that he/she executed the same in said company name.

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

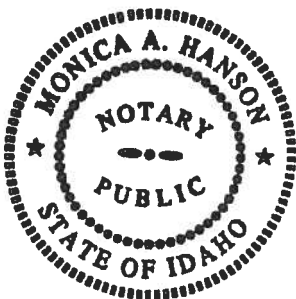


Monica A. Hanson
Notary Public for Idaho
Residing at Hailey Idaho
My commission expires 11/29/00

STATE OF IDAHO)
) ss.
County of Ada)

On this 29 day of December, 2000, before me, a Notary Public in and for said State, personally appeared GEORGE R. KIRK, known or identified to me to be the Managing Member of the limited liability company of Clear Creek, LLC Partnership, and the manager who subscribed said company name to the foregoing instrument, and acknowledged to me that he executed the same in said company name.

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



Monica A. Hanson
Notary Public for Idaho
Residing at Hailey Idaho
My commission expires 11/29/00

Benchmark Associates

ENGINEERING, PLANNING, SURVEYING & MAPPING

P.O. Box 733 : 251 Northwood Way Ste. I

Ketchum, Idaho 83340

208-726-9512 : Fax 208-726-9514

Exhibit A
1 of 3

DESCRIPTION OF A PARCEL OF PROPERTY THE MEADOWS : A PORTION OF PARCEL 4A THE PARK PARCEL

Within the NE1/4 SE1/4 Section 31, T4N, R18E, B.M., Blaine County, Idaho, a parcel of land known as the PARK PARCEL, being a portion of PARCEL 4A, THE MEADOWS, said Park Parcel being more particularly described by metes and bounds as follows:

Commencing at the northeast corner of said Section 31, said corner lying N00°06'17"E, 5,250.16 feet from the southeast corner of said Section 31, thence S39°52'12"W, 1,676.45 feet to the northeast corner of Parcel 4A, said corner being the True Point of Beginning. Thence S04°42'43"W, 608.56 feet; thence N87°33'00"W, 196.24 feet; thence N00°07'57"W, 598.58 feet; thence S89°53'36"E, 247.44 feet to the True Point of Beginning.

Said described parcel contains 3.07 acres.

October 31, 1995

95350PRK.DSC



Exhibit A
2 of 3**PROPERTY DESCRIPTION****"NEW MEADOWS"**

January 8, 2001

A parcel of land located within the NE1/4 & SE1/4, Section 31, Township 4 North, Range 18 East, Boise Meridian, Blaine County, Idaho, more particularly described as follows:

Commencing at a 1-inch iron pin by James A. Patterson, which marks the southeast corner of Section 31, thence North 45°38'47" West, 1801.27 feet to a 5/8 inch rebar;

thence North 87°53'50" West, 747.13 feet along the northerly boundary of Cold Springs Subdivision to a set aluminum cap marking the TRUE POINT OF BEGINNING;

thence North 87°50'11" West, 499.15 feet along the northerly boundary of Cold Spring Subdivision to a 5/8 inch rebar by J. U. B. Engineering lying on the easterly right-of-way of Idaho State Highway No. 75;

thence along a curve to the right, 1174.73 feet, with a radius of 3780.00 feet, a delta of 17°48'22", a tangent of 592.15 feet and a chord bearing North 10°24'02" East, 1170.02 feet along the easterly right-of-way of Idaho State Highway No. 75 to a brass cap by the Idaho Highway Department marking a point of tangency;

Thence North 19°18'13" East, 187.30 feet along the easterly right-of-way of Idaho State Highway No. 75 to a point which is witnessed by a 1/2 inch rebar by LS 1169 lying North 1.2 feet and West 1.3 feet from the corner;

thence South 89°03'19" East, 175.00 feet along the southerly boundary of the Animal Subdivision;

thence South 00°56'06" West, 80.00 feet;

thence South 66°42'54" East, 53.89 feet;

thence South 25°10'26" East, 165.38 feet;

thence South 13°20'27" East, 60.44 feet;

Exhibit A
3 of 3

thence South 06°16'45" East, 59.95 feet;
thence South 00°41'42" East, 119.51 feet;
thence North 87°12'55" West, 18.96 feet;
thence South 04°04'59" West, 51.00 feet;
thence South 85°19'52" East, 91.02 feet;
thence South 04°40'46" West, 195.52 feet;
thence South 14°40'20" West, 61.46 feet crossing the Broadway Run
right-of-way;

thence South 14°40'20" West, 470.63 feet;

thence South 04°43'20" West, 88.00 feet, to the TRUE POINT OF
BEGINNING, containing 14.47 acres more or less.

Excluding the 60 foot wide Broadway Run right-of-way containing 0.79
acres, more or less. The net parcel area excluding said Broadway Run 60
foot right-of-way contains 13.68 acres, more or less.

MDC:cdw

Benchmark Associates

ENGINEERING, PLANNING, SURVEYING & MAPPING
P.O. Box 733 : 251 Northwood Way Ste. I
Ketchum, Idaho 83340
208-726-9512 : Fax 208-726-9514

Exhibit B
"Total Acreage"
104

DESCRIPTION OF A PARCEL OF PROPERTY THE MEADOWS : A PORTION OF PARCEL 4A THE PARK PARCEL

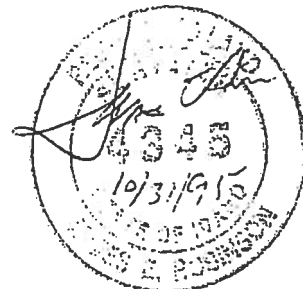
Within the NE1/4 SE1/4 Section 31, T4N, R18E, B.M., Blaine County, Idaho, a parcel of land known as the PARK PARCEL, being a portion of PARCEL 4A, THE MEADOWS, said Park Parcel being more particularly described by metes and bounds as follows:

Commencing at the northeast corner of said Section 31, said corner lying N00°06'17"E, 5,250.16 feet from the southeast corner of said Section 31, thence S39°52'12"W, 1,676.45 feet to the northeast corner of Parcel 4A, said corner being the True Point of Beginning. Thence S04°42'43"W, 608.56 feet;
thence N87°33'00"W, 196.24 feet;
thence N00°07'57"W, 598.58 feet;
thence S89°53'36"E, 247.44 feet to the True Point of Beginning.

Said described parcel contains 3.07 acres.

October 31, 1995

95350PRK.DSC



2 of 4

PROPERTY DESCRIPTION**"NEW MEADOWS"**

January 8, 2001

A parcel of land located within the NE1/4 & SE1/4, Section 31, Township 4 North, Range 18 East, Boise Meridian, Blaine County, Idaho, more particularly described as follows:

Commencing at a 1-inch iron pin by James A. Patterson, which marks the southeast corner of Section 31, thence North 45°38'47" West, 1801.27 feet to a 5/8 inch rebar;

thence North 87°53'50" West, 747.13 feet along the northerly boundary of Cold Springs Subdivision to a set aluminum cap marking the TRUE POINT OF BEGINNING;

thence North 87°50'11" West, 499.15 feet along the northerly boundary of Cold Spring Subdivision to a 5/8 inch rebar by J. U. B. Engineering lying on the easterly right-of-way of Idaho State Highway No. 75;

thence along a curve to the right, 1174.73 feet, with a radius of 3780.00 feet, a delta of 17°48'22", a tangent of 592.15 feet and a chord bearing North 10°24'02" East, 1170.02 feet along the easterly right-of-way of Idaho State Highway No. 75 to a brass cap by the Idaho Highway Department marking a point of tangency;

Thence North 19°18'13" East, 187.30 feet along the easterly right-of-way of Idaho State Highway No. 75 to a point which is witnessed by a 1/2 inch rebar by LS 1169 lying North 1.2 feet and West 1.3 feet from the corner;

thence South 89°03'19" East, 175.00 feet along the southerly boundary of the Animal Subdivision;

thence South 00°56'06" West, 80.00 feet;

thence South 66°42'54" East, 53.89 feet;

thence South 25°10'26" East, 165.38 feet;

thence South 13°20'27" East, 60.44 feet;

3 of 4

thence South 06°16'45" East, 59.95 feet;
thence South 00°41'42" East, 119.51 feet;
thence North 87°12'55" West, 18.96 feet;
thence South 04°04'59" West, 51.00 feet;
thence South 85°19'52" East, 91.02 feet;
thence South 04°40'46" West, 195.52 feet;
thence South 14°40'20" West, 61.46 feet crossing the Broadway Run
right-of-way;

thence South 14°40'20" West, 470.63 feet;

thence South 04°43'20" West, 88.00 feet, to the TRUE POINT OF
BEGINNING, containing 14.47 acres more or less.

Excluding the 60 foot wide Broadway Run right-of-way containing 0.79
acres, more or less. The net parcel area excluding said Broadway Run 60
foot right-of-way contains 13.68 acres, more or less.

MDC:cdw

4 of 4

PROPERTY DESCRIPTION
"GARDNER/DRASHNER PROPERTY"

A parcel of land lying within Section 31, Township 4 North, Range 18 East, Boise Meridian, Blaine County, Idaho; being more particularly described as follows:

Commencing at a brass cap marking the Northeast corner of said Section 31 proceed S 40°17'05" W, 1676.45 feet to a 5/8" rebar with an aluminum cap by LS 1028; thence N 89°28'43" W, 247.40 feet to a 5/8" rebar with an aluminum cap by LS 1028; thence S 0°17'06" W, 27.43 feet to a 1/2" rebar which point is the Northeasterly corner of this parcel and the **TRUE POINT OF BEGINNING**;

Thence S 0°17'06" W, 692.51 feet to a 1/2" rebar by LS 4353;

Thence N 87°32'38" W, 408.20 feet to a 1/2" rebar by LS 4353;

Thence N 2°27'22" E, 60.00 feet to a 1/2" rebar by LS 4353;

Thence N 87°32'38" W, 300.00 feet to a 5/8" rebar by LS 4353 lying on the Easterly Right-of-way of Idaho State Highway No. 75;

Thence N 19°43'00" E, 645.74 feet along the Easterly right-of-way of Idaho State Highway No. 75 to a 5/8" rebar by LS 4353;

Thence S 89°20'12" E, 490.60 feet to the **TRUE POINT OF BEGINNING**, containing 9.12 acres, more or less as surveyed by Puchner and Williams according to a Record of Survey recorded in Blaine County as Instrument Number 339888.

wp60\2501b.dsc
11-14-94

GUARANTEE OF LEASE

WHEREAS, a certain Lease of even date herewith has been or will be executed by and between Drashner Price, LLC., an Idaho limited liability company and Gardner Price, LLC., an Idaho limited liability company, therein and herein collectively referred to as "Landlord" and Clear Creek, LLC., an Idaho limited liability company, therein and herein referred to as "Tenant", covering certain premises in the County of Blaine, State of Idaho; and

WHEREAS, the Landlord under said Lease requires as a condition of its execution of said Lease that the undersigned guarantee the full performance of the obligations of Tenant under said Lease; and

WHEREAS, the undersigned is desirous that Landlord enter into said Lease with Tenant.

NOW, THEREFORE, in consideration of the execution of said Lease by Landlord, the undersigned hereby unconditionally guarantees the full performance of each and all of the terms, covenants and conditions of said Lease to be kept and performed by said Tenant, up to and including the payment of all rentals and other charges to accrue thereunder. The undersigned further agrees as follows:

1. That this covenant and agreement on its part shall continue in favor of the Landlord notwithstanding any extension, modification or alteration of said Lease entered into by and between the parties thereto, or their successors or assigns, or notwithstanding any assignment of said Lease, with or without the consent of the Landlord, and no extension, modification, alteration or assignment of the above referred to Lease shall in any manner release or discharge the undersigned and it does hereby consent thereto.

2. This Guarantee will continue unchanged by any bankruptcy, reorganization or insolvency of the Tenant or any successor or assignee thereof or by any disaffirmance or abandonment by a trustee of Tenant.

3. Landlord may, without notice, assign this Guarantee of Lease in whole or in part and no assignment or transfer of the Lease shall operate to extinguish or diminish the liability of the undersigned hereunder.

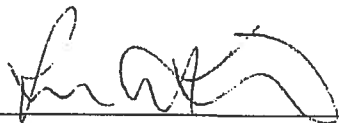
4. The liability of the undersigned under this Guarantee of Lease shall be primary and that in any right of action which shall accrue to Landlord under this Lease, the Landlord may, at its option, proceed against the undersigned without having commenced any action or having obtained any judgment against the Tenant.

5. To pay Landlord's reasonable attorneys' fees and all costs and other expenses incurred in any collection or attempted collection or in any negotiations relative to the obligations hereby guaranteed or enforcing this Guarantee or Lease against the undersigned, individually and jointly.

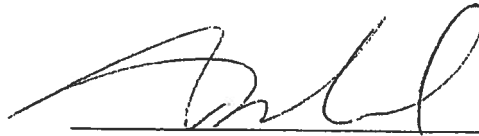
6. That it does hereby waive notice of any demand by the Landlord, as well as any notice of default in the payment of rent or any other amount contained or reserved in the Lease.

7. The use of the singular herein shall include the plural. The obligation of two or more parties shall be joint and several. The terms and provisions of this Guarantee shall be binding upon and inure to the benefit of the respective successors and assigns of the parties herein named.

IN WITNESS WHEREOF, the undersigned has caused this Guarantee to be executed as of the 20 day of May 2003.



Robert A. Kantor

A handwritten signature in black ink, appearing to read "G. R. Kirk", written over a horizontal line.

George R. Kirk

AMENDMENT TO GROUND LEASE

This Amendment to Ground Lease ("Amendment"), made as of May 20, 2003, is by and between Drashner Price, LLC., an Idaho limited liability company and Gardner Price, LLC., an Idaho limited liability company (collectively, "Lessor"), and Clear Creek, LLC., an Idaho limited liability company ("Lessee").

RECITALS

A. On July 1, 2000, Lessor and Lessee executed a Lease ("Lease") for certain land and improvements ("Real Property") located in the County of Blaine, State of Idaho. The Real Property is more particularly described in Exhibit "A" hereto.

B. Lessee has been delayed by circumstances beyond its control in obtaining the entitlements, consents and other approvals to develop the Real Property as contemplated in the Lease as a result of which the term of the Lease expired.

C. Lessor and Lessee now desire to renew and modify the Lease in the manner set forth herein in order to provide Lessee with additional time within which to obtain the entitlements, consents and approvals needed to develop the Real Property.

TERMS AND CONDITIONS

1. Renewal and Amendments.

For valuable consideration, the receipt of which is hereby acknowledged, and for the mutual covenants contained herein, Lessor and Lessee hereby agree to renew the Lease and to amend the Lease as follows:

A. The second paragraph of paragraph 3 is deleted and the following is substituted therefore:

"Lessee shall obtain all zoning changes, permits, licenses, dispensations, and other authority ("**Such Permits**") required for the contemplated use. If Lessee is unable to obtain Such Permits by July 1, 2005, Lessor or Lessee may terminate this Lease without further liability to the other; provided, however, if Lessee has applied for and is diligently pursuing Such Permits prior to Lessor's termination then the date for termination by Lessor shall be extended for up to an additional one year through July 1, 2006. Notwithstanding any contrary provision hereof, if prior to July 1, 2004 Blaine County Idaho elects not to adopt changes to its zoning ordinances necessary to enable the development and use contemplated by this Lease, then Lessor may terminate this Lease as of July 1, 2004 by giving Lessee prior written notice.

- B. The first sentence of the third full paragraph of paragraph 5 on page 3 is deleted and the following is substituted therefore:

"Lessee shall pay all such taxes and assessments coming due after the date of execution of the Amendment to Ground Lease."

- C. The following is added to paragraph 6 of the Lease:

"The phrase 'Real Property improvements necessary to create residential lots or commercial use of the property' as used herein shall mean only infrastructure improvements required as a condition of Such Permits, including but not limited to engineering fees, grading expense, costs to install all utilities (that is, water, sewer, electricity, gas, telephone, cable television), costs of roads, paths and other rights of way, including in the case of roads any required chip and sealing, costs of structures such as bus waiting areas, and recreation and other amenities which are a condition of Such Permits."

- D. The following is added to paragraph 12 of the Lease:

"In addition to the foregoing, Lessee agrees to indemnify and hold Lessor harmless during the term of this Lease from and against any and all injury, loss or damage for personal injuries to persons or property located on the demised premises, unless due to the negligence of Lessor."

- E. Paragraph 27 of the Lease (Termination) is deleted.

- F. The following paragraph 32 is added to the Lease:

"32. Condition To Lessor's Obligations. Lessor's obligations under this Lease are conditioned upon Lessor's receipt from Robert A. Kantor and George R. Kirk of a fully executed guarantee of this Lease in the form attached hereto as Exhibit C."

2. Construction.

All terms used herein shall have the meaning defined in the Lease unless the context clearly requires otherwise. In the event of any conflict or inconsistency between the Lease and this Amendment, the provisions of this Amendment shall control. Except as otherwise provided herein, however, the provisions of the Lease shall remain in full force and effect.

3. Counterparts.

This Amendment may be executed in any number of counterparts.

[Signatures appear on following page]

In witness whereof, the parties have executed this Amendment as of the date set forth above.

LESSOR:

Drashner Price, LLC., an Idaho limited liability
company

By: _____

Name: _____

Title: _____

Gardner Price, LLC., an Idaho limited liability
company

By: _____

Name: _____

Title: _____

LESSEE:

Clear Creek, LLC., an Idaho limited liability
company

By: _____

Name: George R. Kirk R. K. Kirtan

Title: _____

1-10-05; 2:25PM; LAM and LASKI
MAY-28-2003 12:05 PM ERT GARDNER
MAY-16-2003 FRI 03:00 SPECK & AANESTAD

208 725 0076

7. 8

208 5114

FAX NO. 12087200752

P.02

P. 04/07

In witness whereof, the parties have executed this Amendment as of the date set forth above.

LESSOR:

Drashner-Price, LLC., an Idaho limited liability company

By: Mary Ellen Drashner
Name: Mary Ellen Drashner
Title: Manager

Gardner-Price, LLC., an Idaho limited liability company

By: Kathryn Gardner
Name: Kathryn Gardner
Title: Manager

LESSEE:

Clear Creek, LLC., an Idaho limited liability company

By: _____
Name: _____
Title: _____

AMENDMENT TO LEASE - 3

31225-007 Rev. 8/1/03

JAN-10-05 MON 2:21 PM

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P. 7

PROPERTY DESCRIPTION
"GARDNER/DRASNER PROPERTY"

A parcel of land lying within Section 31, Township 4 North, Range 18 East, Boise Meridian, Blaine County, Idaho; being more particularly described as follows:

Commencing at a brass cap marking the Northeast corner of said Section 31 proceed S 40°17'05" W, 1676.45 feet to a 5/8" rebar with an aluminum cap by LS 1028; thence N 89°28'43" W, 247.40 feet to a 5/8" rebar with an aluminum cap by LS 1028; thence S 0°17'06" W, 27.43 feet to a 1/2" rebar which point is the Northeasterly corner of this parcel and the TRUE POINT OF BEGINNING;

Thence S 0°17'06" W, 692.51 feet to a 1/2" rebar by LS 4353;

Thence N 87°32'38" W, 408.20 feet to a 1/2" rebar by LS 4353;

Thence N 2°27'22" E, 60.00 feet to a 1/2" rebar by LS 4353;

Thence N 87°32'38" W, 300.00 feet to a 5/8" rebar by LS 4353 lying on the Easterly Right-of-way of Idaho State Highway No. 75;

Thence N 19°43'00" E, 645.74 feet along the Easterly right-of-way of Idaho State Highway No. 75 to a 5/8" rebar by LS 4353;

Thence S 89°20'12" E, 490.60 feet to the TRUE POINT OF BEGINNING, containing 9.12 acres, more or less as surveyed by Puchner and Williams according to a Record of Survey recorded in Blaine County as Instrument Number 339888.

wp60\2501b.dsc
11-14-94

EXHIBIT A

MEMORANDUM OF LEASE AGREEMENT

THIS MEMORANDUM OF LEASE AGREEMENT is made this 29 day of January, 2001 between GARDNER PRICE, LLC, an Idaho limited liability company, and DRASHNER PRICE, LLC, an Idaho limited liability company, hereinafter called "Lessor", and CLEAR CREEK LLC, an Idaho limited liability company, hereinafter called "Lessee".

WITNESSETH

FOR AND IN CONSIDERATION of the mutual promises, covenants and conditions hereinafter set forth, the parties hereto acknowledge that a Lease Agreement was entered into as of July 1, 2000, covering certain premises located in Blaine County, Idaho, and that this instrument shall be recognized as a Memorandum of said Lease Agreement.

1. Leased Premises: Lessor leases to Lessee and Lessee leases from Lessor, those certain premises more particularly described in Exhibit "A", attached hereto and incorporated herein by this reference ("the Premises").

2. Term: The term of the lease is for ninety-nine (99) years, commencing on July 1, 2000 and terminating on June 30, 2099, unless extended pursuant to the option or earlier terminated as provided in the Lease Agreement.

3. Options: Lessee is granted the right to extend the term of the Lease Agreement for fifty (50) years under certain terms and conditions. Lessee is also granted the right to purchase all or portions of the Premises under certain terms and conditions.

4. Relationship of Parties: The relationship entered into by the parties is that of Lessor and Lessee and no other. The Lessor is not the agent of the Lessee and the Lessee is not the

agent of the Lessor for any purpose, including performing construction upon the Premises, and it is agreed that the Lessor's interest therein is not therefore subject to lien by reason of any construction made on the Premises by the Lessee or any sub-lessee.

5. Purpose of Memorandum: This Memorandum is for the specific purpose of placing third parties on notice that Gardner Price, LLC and Drashner Price, LLC, Lessor, and Clear Creek LLC, Lessee, have entered into a Lease Agreement for the above-described real property.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement the day and year first above written.

LESSOR: Gardner Price, LLC, an Idaho limited liability company

By Kathryn Gardner
Kathryn Gardner, Managing Member

Drashner Price, LLC, an Idaho limited liability company

By Mary Ellen Drashner
Mary Ellen Drashner, Member

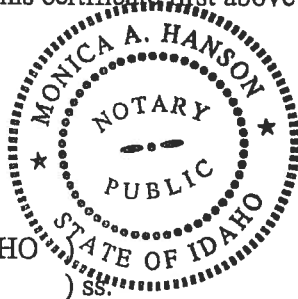
LESSEE: Clear Creek LLC, an Idaho limited liability company

By George R. Kirk
George R. Kirk, Managing Member

STATE OF IDAHO)
) ss.
County of Blaine)

On this 29 day of January 2001, before me, a Notary Public in and for said State, personally appeared KATHRYN GARDNER, known or identified to me to be the Managing Member of Gardner Price, LLC, the limited liability company that executed the instrument, and 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.



Monica A. Hanson
Notary Public for Idaho
Residing at Hailey
My commission expires 11/29/06

STATE OF IDAHO)
) ss.
County of Blaine)

On this 29 day of January 2001, before me, a Notary Public in and for said State, personally appeared MARY ELLEN DRASHNER, known or identified to me to be [one of the Members, one of the Managers, the Manager] of Drashner Price, LLC, the limited liability company that executed the instrument, and 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.

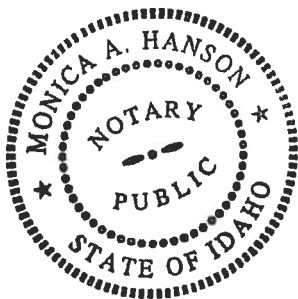


Monica A. Hanson
Notary Public for Idaho
Residing at Hailey
My commission expires 11/29/06

STATE OF IDAHO)
) ss.
County of Blaine)

On this 17 day of January, 2001, before me, a Notary Public in and for said State, personally appeared GEORGE R. KIRK, known or identified to me to be the Managing Member of Clear Creek, LLC the limited liability company that executed the instrument, and 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.



Monica A. Hanson
Notary Public for Idaho
Residing at Hailey, Idaho
My commission expires 11/29/06

PROPERTY DESCRIPTION
"GARDNER/DRASHNER PROPERTY"

A parcel of land lying within Section 31, Township 4 North, Range 18 East, Boise Meridian, Blaine County, Idaho; being more particularly described as follows:

Commencing at a brass cap marking the Northeast corner of said Section 31 proceed S 40°17'05" W, 1676.45 feet to a 5/8" rebar with an aluminum cap by LS 1028; thence N 89°28'43" W, 247.40 feet to a 5/8" rebar with an aluminum cap by LS 1028; thence S 0°17'06" W, 27.43 feet to a 1/2" rebar which point is the Northeasterly corner of this parcel and the **TRUE POINT OF BEGINNING**;

Thence S 0°17'06" W, 692.51 feet to a 1/2" rebar by LS 4353;

Thence N 87°32'38" W, 408.20 feet to a 1/2" rebar by LS 4353;

Thence N 2°27'22" E, 60.00 feet to a 1/2" rebar by LS 4353;

Thence N 87°32'38" W, 300.00 feet to a 5/8" rebar by LS 4353 lying on the Easterly Right-of-way of Idaho State Highway No. 75;

Thence N 19°43'00" E, 645.74 feet along the Easterly right-of-way of Idaho State Highway No. 75 to a 5/8" rebar by LS 4353;

Thence S 89°20'12" E, 490.60 feet to the **TRUE POINT OF BEGINNING**, containing 9.12 acres, more or less as surveyed by Puchner and Williams according to a Record of Survey recorded in Blaine County as Instrument Number 339888.

wp60\2501b.dsc
11-14-94

EXHIBIT "A"

LEASE

THIS LEASE is made and entered into this 1st day of July 2000, by and between **GARDNER PRICE, LLC**, an Idaho limited liability company, **DRASHNER PRICE, LLC**, an Idaho limited liability company (collectively "Lessor") and **CLEAR CREEK LLC**, an Idaho Limited Liability Company ("Lessee"), and is as follows:

1. Real Property. In consideration of the rents herein reserved and of the covenants and agreements herein contained on the part of the Lessee to be kept, observed and performed, the Lessor has demised and leased, and does by these presents demise and lease unto the Lessee, and the Lessee has hired and taken, and does by these presents hire and take from the Lessor the following described real property situated, lying and being in Blaine County, Idaho, described on Exhibit "A" attached hereto and incorporated herein as a part hereof (the "Real Property"). This Lease is one of two identical leases covering property described on Exhibit "B" attached hereto and incorporated herein as a part hereof (the "Total Acreage").

2. Term. The term of this Lease shall commence on the 1st day of July 2000 and shall continue for a period of ninety-nine (99) years ending on June 30, 2099. This Lease contains an option to extend the term and option to purchase the property as set forth hereinafter.

3. Use. the Real Property, in common with other real property covered by similar leases (the "Total Property") shall be used primarily for the development of residential single-family dwelling lots. The lots will be developed with houses and subleased to homeowners who will purchase homes constructed on the subleased lots. A portion of the Total Acreage may be developed for commercial use, subject to obtaining all required zoning and permits from all applicable governmental bodies and other agencies or institutions.

Lessee shall obtain all zoning changes, permits, licenses, dispensations and other authority ("Such Permits") required for the contemplated use. If Lessee is unable to obtain Such Permits by July 1, 2002, Lessor or Lessee may terminate this Lease without further liability to the other. If either party so elects, the Real Property shall cease to be subject to this Lease and neither Lessor nor Lessee shall be any further obligation on this Lease.

4. Rental. The Lessee shall pay to the Lessor upon Execution of this Lease, the initial sum of One Thousand Dollars (\$1,000.00). Further, the Lessee shall pay to the Lessor for the Lease term an annual base rent of Eight Thousand Dollars (\$8,000.00) per acre per year, subject to adjustment as set forth below. The Additional Rental provided for in Paragraph 21 will be paid as set forth in that paragraph. The annual base rental shall be paid in substantially equal monthly installments in arrears, calculated as follows:

- (a) The annual base rent is fixed at \$8,000.00 per acre per year.
- (b) Annual base rental shall be payable only as to any acre upon the sublease of

one lot, up to and including the average number of lots per acre allowed by the zoning and authority, thereafter, annual rent on each additional acre shall commence upon the sublease of the next (one more than the maximum allowable) lot, no matter where located within the Total Acreage, from and after such time a lot or a commercial space on such acre shall be developed and subleased to an end user home owner or commercial tenant.

(c) The rental paid by Lessee or Sublessees shall be allocated to the Lessor's Real Property in the proportion that the area of Lessor's Real Property bears to the Total Acreage, as set forth on Exhibit "C" attached hereto and by this reference made a part hereof, it being understood that rental payments will be pooled and allocated among the Lessor of the total Acreage without reference to whether individual Real Property is or is not developed and subleased.

(d) In the determination of occupied areas of any commercial property, an acre shall be deemed occupied if that acre contains a building or common area (e.g., parking, sidewalks, etc.) which serves an occupied area which is leased or sold.

All rent shall be paid to the Lessor at such place as the Lessor may, from time to time, designate by written notice to the Lessees.

The rental and all other sums which are to be paid or repaid by the Lessee to the Lessor according to the provisions of this Lease shall be paid in lawful money of the United States of America.

5. Taxes and Assessments. The Lessee will require that each Sublessee covenant and agree to pay and discharge all taxes, assessments, impositions, levies and charges of every kind, nature and description, whether general or special (including, without limitation, utility, garbage and water charges or assessments) ("taxes" or "such taxes or assessments"), ordinary or extraordinary, which may be at any time, or from time to time, from governmental, legal, political or other authority whatsoever, directly or indirectly taxed, levied, charged, assessed or imposed upon or against, or which shall be or may be or become a lien upon the Real Property or this Lease or any part of any buildings, improvements or structures at any time located on the land hereby leased or any estate, right, title or interest of the Lessor and/or of the Lessee in and to said leased remiss or said buildings, improvements or structures; provided, however, that in no event shall the Lessee be required to pay or discharge any of the following:

(a) Any estate, inheritance, succession or gift tax or taxes upon or against any estate or inheritance or right of succession or interest or gift of the Lessor.

(b) Any tax which may be levied by the United States of America or a State thereof or any political subdivision thereof, upon or against the income or profits of the Lessor or upon any sale or conveyance or encumbrance of the demised property made by the Lessor.

(c) Any taxes that may be levied upon or against any personal property of the Lessor, and any tax that may be levied on account of any real property of the Lessor, other than the

Real Property described in this Lease.

(d) Any franchise, capital stock excise, social security, unemployment, sales, use or withholding tax levied or assessed against the Lessor or any other tax, assessment, imposition, levy or charge which has no direct relation to the demised premises, levied or assessed against the Lessor and not against the demised premises except for the failure of the Lessor to pay the same.

Taxes shall be prorated if the term of a sublease commences or ends on a date other than the commencement or termination of a tax year.

Such taxes or assessments shall be the responsibility of Lessor until such time as rental becomes payable on the Real Property pursuant to Paragraph 4. If rental is payable on some, but not all, of the Real Property, taxes on the part where rental is not payable shall be the responsibility of Lessor. All real property taxes paid by Lessor from the commencement date of this Lease shall be reimbursed to Lessor out of the proceeds from the sublease commencement fee of each subleased portion of the property.

Lessee shall have (and shall grant to sublessees) the privilege, before delinquency occurs and upon prior written notice to Lessor, the sole cost and expense of the contesting party, to contest in the contestant's name or that of the Lessor the legality or validity of any such taxes or assessments, provided that the contestant shall forthwith take such action (including, without limitation, the furnishing of bonds or other security) as may be necessary to prevent any sale of the Real Property pending such contest and provided further that the contestant shall cause said contest, whether it be legal action or whatsoever the form thereof, to be Prosecuted to a conclusion with all reasonable dispatch, and shall within five (5) days after the final determination of the legality or validity of the tax or assessment involved in said contest, if said determination be adverse, pay and discharge the amounts involved in or affected by such contest, together with any penalties and interest that may have attached thereto or accrued thereon.

Lessee will require that each sublessee covenant and agree to obtain and deliver duplicate tax receipts of all taxes and assessments made on said premises of every kind and nature whatsoever and all such taxes and as such receipts should be paid and made out in the name of the Lessor, or their heirs, executors, administrators or assigns. Lessee shall require that each sublessee agree to pay when due all principal and interest accruing on any construction loan or other loan, which shall be secured by mortgage or deed of trust upon the leasehold estate.

6. Improvements. Lessee shall have the right (which may be conferred upon a sublessee) at Lessee's own cost and expense, to develop the Real Property into single family dwelling unit lots and the commercial use provided for in Paragraph 3, installing and extending streets, curbs, gutters, sidewalks and similar improvements, services and utilities thereto and constructing dwelling units thereon for sale and commercial facilities for rent or sale. All improvements shall comply and be constructed in accordance with all municipal, county, state, federal or governmental laws, rules, regulations or orders in any way applicable thereto, specifically

including subdivision laws, rules, regulations and orders.

Lessor, subject to and contingent upon Lessor's review and approval of the improvement costs, loan documents and terms, which approval shall not unreasonably be withheld, and subject to approval of the Lender as provided hereinafter, agrees to subordinate this Lease to one or more loans for Real Property improvements necessary to create residential lots or commercial use property, but such subordination will not extend to the cost of the building construction. The Lessee shall solicit proposals from one or more lending institutions in Idaho including Bank of America, First Security, US Bank, Wells Fargo Bank and First Bank of Idaho, for such loan and submit such proposals to Lessor for consideration. Lessor may select the lender or defer the selection to Lessee at their election. The loan proceeds shall be used solely for development and construction of improvements on the Total Property. Lessor will execute all documents reasonably required to accomplish such subordination, including mortgages, notes and trust deeds, so long as Lessor has no personal liability thereon, provided, however, Lessee shall provide Lessor with the same guarantees as required by the Lender, or a letter of credit in acceptable form as security for payment in full by Lessee of the construction loans for improvements on the property and loan for Real Property. Improvements to which Lessor subordinates will be repaid either prorata or on some other mutually agreed bases from construction loan proceeds or from proceeds of a sale of a leasehold interest in a lot or commercial property (or rental thereof) to a sublessee or from other sources prior to commencement of any construction of buildings.

Lessee agrees to provide adequate sewer and water to the Total Acreage in compliance with all governmental laws, specifications and regulations for which a connection and user fee will be charged the sublessee/homeowner comparable to that charged by the City of Ketchum. Upon termination of this Lease any sewer and water improvements and the right to access the sewer and water systems serving the Total Acreage shall become the property of Lessor. Lessor agrees to join in reciprocal easements as necessary to effectuate the provisions of this paragraph.

7. Sublease Improvements. The construction lender, loan documents and terms, and improvement costs for financing for construction of residences on the lots by Lessee shall be subject to the approval of Lessor, which approval shall not unreasonably be withheld. The Lessee shall solicit proposals from lending institutions in Idaho including Bank of America, Wells Fargo Bank, US Bank, and First Bank of Idaho for such construction loan and submit such proposals to Lessor for consideration. Lessor may select the lender or defer the selection to Lessee at their election.

8. Public Utilities. Lessee will require that each sublessee agree to pay for all utilities, including water, gas, sewage, heat, electricity, power or other public utility used upon or furnished to any part of the Real Property during the full term of this Lease.

9. Insurance. Lessee shall require that each sublessee, or alternatively, the Homeowners Association made up of sublessees throughout the term of any sublease, maintain

public liability and property damage insurance in a form and coverage amounts acceptable to Lessor, and name Lessor and Lessee as parties insured. The policies shall require that the insurance carrier notify Lessor and Lessee at least thirty (30) days prior to any cancellation.

10. Use of Premises - Compliance with Laws and Regulations. Without limiting the provisions of Paragraph 3 hereof, Lessee hereby agrees, and will require that each sublessee agree, that the building or buildings which may at any time exist upon the Real Property shall be used only and exclusively for lawful and legitimate purposes; that Lessee or a sublessee will not use, nor suffer nor permit any person to use or occupy in any manner whatsoever the leased Premises or any buildings or other improvements thereon, or any part thereof, for any extra hazardous purpose, nor for any purpose, nor in any manner or use in violation of any law or ordinance or of any governmental, political or military order or regulation.

11. Buildings and Repairs and Maintenance. Lessee will impose covenants, conditions and restrictions binding on all sublessees, which require architectural approval of any structures to be erected on the total Acreage and to require a reasonable obligation for maintenance, repair and upkeep of the property and any improvements thereon. The covenants, conditions and restrictions shall be subject to Lessor's approval, which shall not be unreasonably withheld.

Each sublessee of a dwelling lot or of unimproved commercial space will be given the right to construct a dwelling unit or commercial facility (as the case may be) subject to the architectural control and other standards set out in the covenants, conditions and restrictions.

12. Indemnification of Lessor and Lessee; Injury to Person and Damage to Property. Lessee will require that each sublessee covenant and agree that it will hold and save Lessor and Lessee harmless during the full term of each sublease from any and all injury, loss or damage which may occur to any person (specifically including each subtenant and the family members, guests and invitees of each subtenant) or to any goods, wares or merchandise, effects or property of any and all kinds and character in or upon the Real Property, or any building or improvement situated thereon or the appurtenances thereunto belonging or in other property if caused by acts or omissions on the demised property, howsoever caused or occasioned and arising from any cause whatsoever; and also that it will hold and save Lessor and Lessee harmless from any and all loss or damage for personal injuries received by any person or persons, and howsoever caused or arising, in or upon the demised premises, or any building or improvements situated thereon, or the appurtenances thereunto belonging.

13. Mechanics' and Other Liens. The Lessee hereby agrees and will require that each sublessee agree to keep the Real Property and the improvements thereon or hereafter erected or placed thereon, and every part thereof; and every estate, right, title, and interest therein, or in or to any part thereof at all times during the term of this Lease, free and clear of mechanics' liens and other liens for labor, service,, supplies, equipment or materials, and that it will at all times fully pay and discharge and wholly protect and save harmless Lessor and all and every part of the estate, right, title and interest of Lessor in and to all and every part of said demised premises and improvements, against any and all demands or claims which may or could ripen into such liens or

labor claims, provided, however, that the Lessee or a sublessee may, if such party furnishes Lessor (and, if appropriate, Lessee) with a bond or other security against loss or liability by reason thereof which said bond or other security shall by reason thereof which said bond or other security shall be satisfactory to Lessor, contest, at Lessee's (or a sublessee's) sole cost and expense, any such liens or claims and litigate the same to final judgment; and provide further that in the event the Lessee shall have taken an appeal an adverse judgment, Lessee shall at all times during the pendency of such appeal prevent the execution of such judgment pending appeal.

Lessee will file the appropriate notices of nonresponsibility on behalf of Lessor and Lessee upon becoming aware of any construction activity by any sublessee and shall require that each sublessee notify Lessee prior to commencement of any construction work.

14. Alterations, Repairs, Etc. Lessee shall have the right (and shall give sublessees the right) to make alterations, improvements, additions or repairs to any building on the Real Property, at any time, and shall have the right to tear down and demolish any building and to reconstruct or replace any building. All such work shall be performed in accordance with all applicable ordinances, laws, regulations, and orders and shall be subject to architectural controls and covenants, conditions and restrictions.

15. Mortgage and/or Encumbrance of Leasehold Interest. Nothing in this Lease shall be construed as restricting the right of one Lessee or any sublessee to encumber by mortgage, deed of trust or other appropriate instrument its interest in and to the leasehold estate, and Lessee is hereby expressly given the right (any may give each sublessee the right) to encumber its interest in this Lease or the sublessee's sublease, by mortgage or deed of trust or other appropriate instrument. The mortgage or trustee in any such mortgage or deed of trust, and the holder or owner of the indebtedness secured by said mortgage or deed of trust, or other instrument, shall not become personally liable upon the covenants of this Lease. Any purchaser at any foreclosure sale must expressly assume and agree to perform any and all covenants and provisions of this Lease, and nothing herein shall be construed to prevent Lessor from exercising any remedy available to it by law or pursuant to this Lease.

If the leasehold estate hereby created, or created by any sublease, shall be conveyed by mortgage or deed of trust, or other form of security, Lessee or mortgagee or trustee will notify Lessor of that fact, and shall, in writing, give the name of the mortgagee or trustee named in said encumbrance and the address of such mortgagee or trustee. Lessee shall impose the same obligation to convey notice on any sublessee. If Lessor is notified in writing of any sublease and of any conveyance and of the name and address of the sublessee, mortgagee or trustee, then (but not otherwise) so long as such mortgage or deed of trust shall continue in force, notice of the default in the performance of this Lease of the same kind and in the same manner and for the same length of time as is hereby required to be given to the Lessee, shall also be given to any sublessee, mortgagee or trustee before any default can be taken advantage of by Lessor under this Lease, and said sublessee, mortgagee or trustee may cure any such default within the time provided for herein in which the Lessee may cure such default.

Any person ("person" embracing persons, firms, associations or corporations) who may acquire the interest of the Lessee in the demised premises and in this Lease under foreclosure of security shall be subrogated to all the rights of the Lessee herein and shall be recognized by the Lessor as Lessee hereunder, or undertaking on the part of the Lessee herein contained and subrogee shall cure the same, and provided further, that said Lease shall not have therefore been terminated.

Nothing in this Lease shall be construed to vest in any further mortgagee, trustee or other encumbrancer any right, title or interest in the Real Property demised hereunder superior to that of the Lessor. Furthermore, nothing in this Lease shall be construed to render the Lessor personally liable on any obligation of the Lessee or any sublessee.

16. Default of Lessee; Right of Termination by Lessor. If the Lessee shall at any time be in default in the payment of any installment or installments of the rental herein reserved, or in the payment or repayment of any tax, assessment, rate levy, toll charge, impost, duty or other similar obligation or liability, or in the payment or repayment of any other sum of money which the Lessee has agreed to pay or repay to the Lessor, or otherwise, as herein provided, and such default shall continue for ten (10) days after written notice of the same has been given by the Lessor to Lessee, or if the Lessee shall otherwise in any manner or at all be or become in default or suffer any default to occur in any of the other covenants, agreements, obligations, conditions or provisions of this Lease to be kept or performed by the Lessee and such default shall continue for thirty (30) days after written notice of such default has been given by the Lessor to the Lessee (provided that Lessee shall not be deemed to be in default if Lessee commences the work of curing such default within the said thirty (30) day period and diligently and expeditiously carries the same to completion), the Lessor, at or after the expiration of said respective periods of grace may, at its option, and in addition to other remedies provided by law or equity, and without further notice or demand, terminate this Lease and may enter in and upon the leased premises and the building and improvements, either with or without the process of law, and may remove all persons therefrom and repossess itself of said demised property, and no compensation, damage, or allowance shall be made to Lessee for any buildings or additions thereto or improvements thereof erected or undertaken or performed at any time by it, and all right, title and interest of the Lessee in or to said leased land, premises, buildings and improvements, whether in law or in equity, shall immediately cease and terminate, all with the same force and effect as if this Lease had duly expired by efflux of the full period for which the demised premises are hereunder demised. If the Lessor shall so terminate this Lease, Lessor shall succeed to the rights and benefits of Lessee under and recognize, accept and honor the rights of any sublessee and the rights of sublessees shall not be terminated by the termination of this Lease. If Lessor elects not to terminate this Lease, Lessor shall be entitled to interest at the rate of eighteen percent (18%) per annum on the default of the payment of rent in the event the Lessee fails to pay the delinquent rent during the ten (10) day cure period to and until such delinquency is paid in full.

17. Actions by or Against Lessor, Right to Attorneys' Fees. Lessee agrees that it will indemnify the Lessor against and pay and discharge any and all proper costs and expenses (including all reasonably attorneys' and counsel fees) that may at any time or times result from or arise out of, or that the Lessor may be put to, sustained or incurred by reason of any default or

failure on the part of the Lessee to comply in any respect with, or observe any requirement or provision of this Lease, or that the Lessor may sustain, be put to or incur in enforcing or properly seeking to enforce any of the terms, obligations or covenants thereof; and further, that in case of any suit or proceeding (including arbitration within the definition of proceeding) brought by the Lessor to enforce or secure the performance or observance or to prevent the breach or violation of any of the covenants or provisions of this Lease, or in case of any other suit or proceeding at law or in equity, wherein the Lessor shall be or become a party defendant because of any act, omission or default of or claim against the Lessee, or of anyone claiming or claim by, through or under the Lessee, or of any occupant of said Premises, and arising out of or howsoever connected with this Lease, or the demised Premises, or the improvements thereon situated, the reasonable costs, expenses and attorneys' and counsel fees incurred or paid by the prevailing party (as between Lessor and Lessee) in or about any and every such suit or proceeding in the institution or commencement or defense thereof shall be forthwith repaid, refunded and allowed by the losing party and may be included, and their payment provided for, in any decree or judgment rendered in the suit or proceeding by reason whereof or wherein the same shall have been incurred or paid, or may be otherwise recovered.

18. Priority of Lease. Lessor expressly covenants and agrees that the leasehold estate and/or interest of the Lessee arising out of the execution and delivery and/or recordation of this Lease shall, throughout the term of this Lease, be at all times superior to any lien or encumbrance of any kind, character or extent created or imposed by the Lessor or suffered to be created or imposed upon or against the Real Property and/or improvements now or hereafter existing thereon. Should Lessor create or impose, or suffer to be created or imposed, upon or against the Real Property or improvements thereon, any lien or encumbrance superior to the leasehold estate or the interest of the Lessee arising out of the execution and delivery and/or recordation of this Lease, and should not, within sixty (60) days, release such lien or encumbrance, the Lessee is given the right to pay any sum required to discharge and release the encumbrance, and shall be entitled to reimbursement from the Lessor in such amount together with legal interest thereon from the date of payment by the Lessee; and in the event of failure of the Lessor to so repay the same, may credit said amount upon rental installments immediately next accruing hereunder.

19. Tenants in Possession. Lessor hereby warrants that at the time of the commencement of the term of this Lease, the demised premises shall be free of Leases and tenancies.

20. Holding Over. Any holding over after the expiration of one term of this Lease, with the consent of Lessor, shall be construed to be a tenancy from month to month at the same rental and upon the same covenants and conditions as existed at the date of expiration of said term.

21. Additional Rent. Lessee expects to subdivide the Total Acreage into single-family residential lots (including amenities such as, for example, park, tennis and clubhouse facilities (with limited commercial facilities as provided for herein). Each residential lot will be subleased to a homeowner user who will either purchase a pre-constructed home (which may be a home constructed by Lessee) or construct a home on the lot. Leasehold interests in lots may be sold to

builders and developers who will construct residences or commercial facilities for sale or subletting to others. The expectation is that the sublessee will make a payment equal to the cost of the improvements to the lot, including reimbursement of property taxes to Lessor pursuant to Paragraph 5. The income derived from the sublease rental on the Total Property shall be allocated as follows:

- (a) Ten percent (10%) shall be allocated to Lessee as a management fee.
- (b) The base annual rental will be paid to Lessor and other Lessors of the Total Acreage (which may include Lessee or an affiliate of Lessee).
- (c) Overhead costs; including costs for property management, accounting, office supplies and other expenses related to the operation of the project shall be paid to Lessee. When the Real Property is fully subleased, the cost of these items shall be five percent (5%) of such Lease income.
- (d) The balance shall be paid fifty percent (50%) to Lessee and fifty percent (50%) to the Lessors of the Total Acreage as additional rent to be allocated between those Lessors as provided in Paragraph 4.

Lessee contemplates that subleases of residential lots will have rental increases every three (3) years of six percent (6%) over the term of the subleases. Lessee shall provide Lessor with subleases prior to execution for review and approval which approval shall not unreasonably be withheld.

22. Arbitration. Any dispute arising out of this Lease shall be resolved by arbitration conducted pursuant to the Commercial Arbitration Rules of the American Arbitration Association.

23. Waiver of Subrogation. Provided that Lessee or a sublessee has obtained the insurance herein provided for, Lessor hereby releases Lessee from any and all claims or demands arising out of injury or damage to the Real Property or improvements thereon from the perils herein required to be insured against, the purpose of this release being to waive subrogation against Lessee insofar as such subrogation can lawfully be waived by Lessor. Lessee hereby releases Lessor and any agents or employees of Lessor from any and all claims or demands arising out of injury or damage to persons or property, including the Real Property from the perils herein required to be insured against, the purpose of this provision being to waive subrogation against Lessor, and the employees or agents of Lessor, insofar as such subrogation can lawfully be waived by Lessee. Each party agrees to call the provisions of this paragraph to the attention of any insurance company concerned and to take such steps as may be necessary to make certain that such insurance company shall recognize and be bound by these waivers of subrogation.

24. Service of Notices. Any notice or demand or statement or instrument which either of the parties hereto may desire to serve upon the other in furtherance of any provision of this Lease, will be sufficiently served if the same is personally delivered, sent by overnight courier

(such as Federal Express), or sent by certified or registered mail, postage prepaid, with return receipt requested, addressed to the Lessee in care of Robert A. Kantor or to any other person or to any other address which Lessor may be notified of in writing by Lessee, and in the instance of the Lessor at P.O. Box 1200, Hailey, Idaho 83333, or to such other address as Lessee may be notified of in writing by Lessor.

25. Free Transferability. Lessor acknowledges and agrees that sublease interests in residential lots and commercial property shall be freely transferable by Lessee and by sublessees, subject only to reasonable credit requirements to be set out in each sublease. All administrative costs of these transfers shall be paid by subtenants and not by Lessor.

26. Ownership of Improvements. All improvements erected or placed on the demised premises shall remain on and shall not be removed from the demised premises. At the expiration of this Lease Agreement or any extension hereof, all such improvements shall be the property of Lessor.

27. Termination. Lessor, at its option, may terminate this Lease as it affects the Real Property that is not subleased if fifty percent (50%) of the Real Property has not been subleased within five (5) years from the date of adoption of the County Comprehensive Plan permitting the development contemplated herein, or if ninety percent (90%) of the Real Property has not been subleased within ten (10) years from the date of this Agreement. If Lessor elects to terminate this Lease, Lessor shall assume and be responsible for their pro rata portion of the balance due on the Note, if any, secured by the Total Property as provided by Paragraph 6 hereinabove, to the extent the Note evidences an obligation the proceeds of which were used to make actual physical improvements on the Real Property.

28. Miscellaneous. Each and all of the various rights, powers, options, resources and remedies of the Lessor and Lessee contained or provided for in this Lease shall be construed as cumulative, and no one of them as exclusive of the other, or as exclusive of any remedies allowed by law.

No delay of Lessor or Lessee in enforcing any right, remedy, privilege or recourse accorded to the Lessor or Lessee by the express terms hereof or by law, shall affect, diminish, suspend or exhaust any of such rights, remedies, privileges or recourses.

None of the covenants, terms or conditions of this Lease to be kept and performed by the Lessee or Lessor shall in any manner be altered, waived, modified, changed, or abandoned, except by a written instrument, duly signed and acknowledged, and delivered by both parties and not otherwise, and that no act or acts, omission or omissions, or series of acts or omissions or waiver, acquiescence or forgiveness by either party as to any failure of performance either in whole or in part of the other party, of any of the covenants, terms or conditions of this Lease shall be deemed, or construed to be a waiver by Lessor or Lessee of the right at all times in the future to insist upon the full performance by the other party of each and all of the foregoing covenants, terms and conditions thereafter to be performed, according to the provisions of this Lease, in the same

ad. C.H. Howard
5/3/64

manner and to the same extent as the same are above covenanted to performed by the Lessee.

Each and all of the covenants, agreements, obligations, conditions and provisions of this Lease shall inure to the benefit of and shall bind (as the case may be) not only the parties hereto, but each and all of the heirs, executors, administrators, successors and assigns of the respective parties hereto, or any of them, and whenever and wherever a reference is made to the Lessor herein or to the Lessee herein, such reference shall be deemed to include the respective heirs, administrators, executors, successors and assigns of the Lessor or the Lessee, as the case may be; and all of the promises, covenants, agreements, obligations, conditions and provisions contained in this Lease shall be construed to be, and as, covenants running with the land; provided, however, that nothing contained in this paragraph or provisions shall be deemed to permit an assignment of the interest of any Lessee hereunder without Lessor's prior written consent.

Any consent to any one assignment by Lessor shall not constitute consent to any other or further assignment.

This Lease shall not be recorded, but Lessor and Lessee agree to execute and acknowledge a Memorandum of Lease for recordation.

All prior negotiations between the parties are embodied herein, and this Lease sets forth the entire agreement between the parties hereto. None of the terms hereof may be varied by any oral agreement.

Idaho law shall apply in the interpretation and enforcement of this Lease.

29. Option to Extend. Lessor and Lessee acknowledge that Lessee may provide in a sublease an option to extend the term of the sublease beyond the term of this Lease and Lessor agrees the sublessee may extend the term of the sublease, provided that such extension of the sublease may not be exercised if there is an uncured default of the sublease. Lessee or its successor may extend this Lease on the same terms and conditions for a further term of fifty (50) years by giving notice to Lessor or Lessor's successor on or before the expiration of the ninety-fifth (95th) year of the original term of this Lease, provided that no such extension shall be effective to extend this Lease beyond the maximum term allowed by law.

30. Option to Purchase. Lessor and Lessee acknowledge that Lessee may provide an option to acquire any residential lot that is subleased from Lessee by the new sublessee/homeowner. Lessor agrees to become a party to this option to purchase provided that no sublessee/homeowner can exercise an option to acquire their lot if there is an uncured default of the sublease or prior to thirty (30) years from the date of the sublease. If the option to purchase is properly exercised, Lessor agrees to convey by warranty deed the residential lot to the sublessee free and clear of all liens or encumbrances, including this Lease. The price of the lot will be twelve (12) times the annual rent at the time the option to purchase is exercised. The price of the lot shall be paid in cash at the time of closing, unless otherwise agreed between the parties. Proceeds of the sale will be divided between Lessor and Lessee in proportion to their sharing of the lease revenue as

provided in this lease agreement. For example, if there are four (4) lots to the acre and the rent per lot at the time of sale is \$7,000, the total net rental for that acre would be \$28,000 and the sale price for the four lots would be \$336,000. The sharing of revenue would be \$4,200 in management fees and overhead to lessee; \$8,000 base rent to lessor and \$7,900 to both lessor and lessee as profit share. Thus, total revenue would be split \$15,900 to lessor and \$12,100 to lessee. Proceeds of sale would be split 57% to lessor and 43% to lessee. Lessee would pay all costs of sale, including but not limited to the brokerage commissions, from their share of the revenue splits.

31. Other Opportunities. Should Lessee have the opportunity to develop adjoining property, including a commercial/retail center on Lessee's property to the north, Lessor shall have the right, but not the obligation to invest with Lessee under mutually acceptable terms.

IN WITNESS WHEREOF, the parties have executed this Lease.

LESSOR: GARDNER PRICE, LLC,
an Idaho limited liability company

By: Kathryn D Gardner

Name:

Title: Manager

DRASHNER PRICE, LLC,
a Idaho limited liability company

By: Mary Ellen Drashner

Name:

Title: Owner

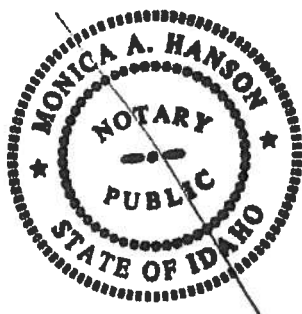
LESSEE: CLEAR CREEK, LLC Partnership

By: Robert A. Kantor

Its Managing Member

By: Robert A. Kantor

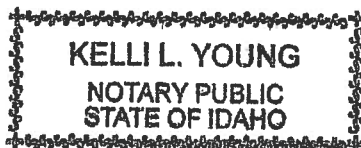
ROBERT A. KANTOR



STATE OF IDAHO)
) ss.
County of Blaine)

On this 15 day of November, 2000, before me, a Notary Public in and for said State, personally appeared Kathryn Hardier, known or identified to me to be [one of the members/one of the managers/ the manager] of the limited liability company of GARDNER PRICE, LLC, and [one of the members/one of the managers/the manager] who subscribed said company name to the foregoing instrument, and acknowledged to me that he/she executed the same in said company name.

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

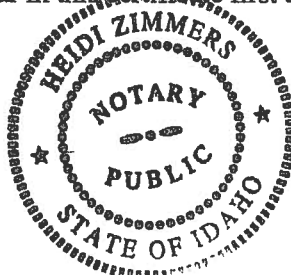


Kelli L. Young
Notary Public for Idaho
Residing at Barley Idaho
My commission expires 12-11-2002

STATE OF IDAHO)
 ada) ss.
County of ~~Blaine~~)

On this 13th day of November, 2000, before me, a Notary Public in and for said State, personally appeared Mary Ellen Drashner, known or identified to me to be [one of the members/one of the managers/ the manager] of the limited liability company of DRASHNER PRICE, LLC, and [one of the members/one of the managers/the manager] who subscribed said company name to the foregoing instrument, and acknowledged to me that he/she executed the same in said company name.

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

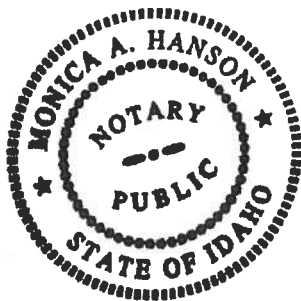


Heidi Zimmers
Notary Public for Idaho
Residing at Nampa, Id
My commission expires 1/21/2003

STATE OF IDAHO)
) ss.
County of Ada)

On this 20 day of November, 2000, before me, a Notary Public in and for said State, personally appeared ROBERT A. KANTOR, known or identified to me to be the Managing Member of the limited liability company of Clear Creek, LLC Partnership, and the manager who subscribed said company name to the foregoing instrument, and acknowledged to me that he executed the same in said company name.

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



Monica A. Hanson
Notary Public for Idaho
Residing at Hailey ID
My commission expires 11-16-06

Exhibit A

PROPERTY DESCRIPTION
"GARDNER/DRASNER PROPERTY"

A parcel of land lying within Section 31, Township 4 North, Range 18 East, Boise Meridian, Blaine County, Idaho; being more particularly described as follows:

Commencing at a brass cap marking the Northeast corner of said Section 31 proceed S 40°17'05" W, 1676.45 feet to a 5/8" rebar with an aluminum cap by LS 1028; thence N 89°28'43" W, 247.40 feet to a 5/8" rebar with an aluminum cap by LS 1028; thence S 0°17'06" W, 27.43 feet to a 1/2" rebar which point is the Northeasterly corner of this parcel and the **TRUE POINT OF BEGINNING**;

Thence S 0°17'06" W, 692.51 feet to a 1/2" rebar by LS 4353;

Thence N 87°32'38" W, 408.20 feet to a 1/2" rebar by LS 4353;

Thence N 2°27'22" E, 60.00 feet to a 1/2" rebar by LS 4353;

Thence N 87°32'38" W, 300.00 feet to a 5/8" rebar by LS 4353 lying on the Easterly Right-of-way of Idaho State Highway No. 75;

Thence N 19°43'00" E, 645.74 feet along the Easterly right-of-way of Idaho State Highway No. 75 to a 5/8" rebar by LS 4353;

Thence S 89°20'12" E, 490.60 feet to the **TRUE POINT OF BEGINNING**, containing 9.12 acres, more or less as surveyed by Puchner and Williams according to a Record of Survey recorded in Blaine County as Instrument Number 339888.

wp60\2501b.dsc
11-14-94

Benchmark Associates

ENGINEERING, PLANNING, SURVEYING & MAPPING

P.O. Box 733 : 251 Northwood Way Ste. I

Ketchum, Idaho 83340

208-726-9512 : Fax 208-726-9514

Exhibit B
Total Acreage
10.4

DESCRIPTION OF A PARCEL OF PROPERTY THE MEADOWS : A PORTION OF PARCEL 4A THE PARK PARCEL

Within the NE1/4 SE1/4 Section 31, T4N, R18E, B.M., Blaine County, Idaho, a parcel of land known as the PARK PARCEL, being a portion of PARCEL 4A, THE MEADOWS, said Park Parcel being more particularly described by metes and bounds as follows:

Commencing at the northeast corner of said Section 31, said corner lying N00°06'17"E, 5,250.16 feet from the southeast corner of said Section 31, thence S39°52'12"W, 1,676.45 feet to the northeast corner of Parcel 4A, said corner being the True Point of Beginning. Thence S04°42'43"W, 608.56 feet; thence N87°33'00"W, 196.24 feet; thence N00°07'57"W, 598.58 feet; thence S89°53'36"E, 247.44 feet to the True Point of Beginning.

Said described parcel contains 3.07 acres.

October 31, 1995

95350PRK.DSC

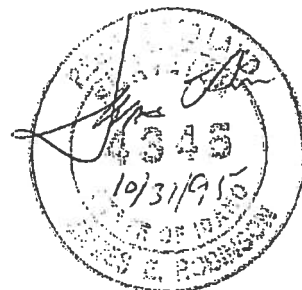


Exhibit B
2 of 4

PROPERTY DESCRIPTION

"NEW MEADOWS"

January 8, 2001

A parcel of land located within the NE1/4 & SE1/4, Section 31, Township 4 North, Range 18 East, Boise Meridian, Blaine County, Idaho, more particularly described as follows:

Commencing at a 1-inch iron pin by James A. Patterson, which marks the southeast corner of Section 31, thence North $45^{\circ}38'47''$ West, 1801.27 feet to a 5/8 inch rebar;

thence North $87^{\circ}53'50''$ West, 747.13 feet along the northerly boundary of Cold Springs Subdivision to a set aluminum cap marking the TRUE POINT OF BEGINNING;

thence North $87^{\circ}50'11''$ West, 499.15 feet along the northerly boundary of Cold Spring Subdivision to a 5/8 inch rebar by J. U. B. Engineering lying on the easterly right-of-way of Idaho State Highway No. 75;

thence along a curve to the right, 1174.73 feet, with a radius of 3780.00 feet, a delta of $17^{\circ}48'22''$, a tangent of 592.15 feet and a chord bearing North $10^{\circ}24'02''$ East, 1170.02 feet along the easterly right-of-way of Idaho State Highway No. 75 to a brass cap by the Idaho Highway Department marking a point of tangency;

Thence North $19^{\circ}18'13''$ East, 187.30 feet along the easterly right-of-way of Idaho State Highway No. 75 to a point which is witnessed by a 1/2 inch rebar by LS 1169 lying North 1.2 feet and West 1.3 feet from the corner;

thence South $89^{\circ}03'19''$ East, 175.00 feet along the southerly boundary of the Animal Subdivision;

thence South $00^{\circ}56'06''$ West, 80.00 feet;

thence South $66^{\circ}42'54''$ East, 53.89 feet;

thence South $25^{\circ}10'26''$ East, 165.38 feet;

thence South $13^{\circ}20'27''$ East, 60.44 feet;

Exhibit B
3 of 4

thence South 06°16'45" East, 59.95 feet;
thence South 00°41'42" East, 119.51 feet;
thence North 87°12'55" West, 18.96 feet;
thence South 04°04'59" West, 51.00 feet;
thence South 85°19'52" East, 91.02 feet;
thence South 04°40'46" West, 195.52 feet;
thence South 14°40'20" West, 61.46 feet crossing the Broadway Run
right-of-way;

thence South 14°40'20" West, 470.63 feet;

thence South 04°43'20" West, 88.00 feet, to the TRUE POINT OF
BEGINNING, containing 14.47 acres more or less.

Excluding the 60 foot wide Broadway Run right-of-way containing 0.79
acres, more or less. The net parcel area excluding said Broadway Run 60
foot right-of-way contains 13.68 acres, more or less.

MDC:cdw

Exhibit B
4 of 4

PROPERTY DESCRIPTION
"GARDNER/DRASNER PROPERTY"

A parcel of land lying within Section 31, Township 4 North, Range 18 East, Boise Meridian, Blaine County, Idaho; being more particularly described as follows:

Commencing at a brass cap marking the Northeast corner of said Section 31 proceed
S 40°17'05" W, 1676.45 feet to a 5/8" rebar with an aluminum cap by LS 1028; thence
N 89°28'43" W, 247.40 feet to a 5/8" rebar with an aluminum cap by LS 1028; thence
S 0°17'06" W, 27.43 feet to a 1/2" rebar which point is the Northeasterly corner of this parcel and
the **TRUE POINT OF BEGINNING**;

Thence S 0°17'06" W, 692.51 feet to a 1/2" rebar by LS 4353;

Thence N 87°32'38" W, 408.20 feet to a 1/2" rebar by LS 4353;

Thence N 2°27'22" E, 60.00 feet to a 1/2" rebar by LS 4353;

Thence N 87°32'38" W, 300.00 feet to a 5/8" rebar by LS 4353 lying on the Easterly Right-of-way of Idaho State Highway No. 75;

Thence N 19°43'00" E, 645.74 feet along the Easterly right-of-way of Idaho State Highway No. 75 to a 5/8" rebar by LS 4353;

Thence S 89°20'12" E, 490.60 feet to the **TRUE POINT OF BEGINNING**, containing 9.12 acres, more or less as surveyed by Puchner and Williams according to a Record of Survey recorded in Blaine County as Instrument Number 339888.

wp60\2501b.dsc
11-14-94



State of Idaho

DEPARTMENT OF WATER RESOURCES

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

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

C. L. "BUTCH" OTTER
Governor

GARY SPACKMAN
Director

May 17, 2012

MID-VALLEY WATER COMPANY, LLC
C/O THE KIRK GROUP
PO BOX 4380
KETCHUM, ID 83340

RE: Transfer No. 77912
Water Right No(s). 37-2125, 37-458B

RE: Transfer No. 77917
Water Right No(s). 37-8119

Dear Applicant(s):

The Department of Water Resources has received your water right transfer application. Please refer to the transfer number referenced above in all future correspondence regarding this transfer.

A legal notice of the application has been prepared and is scheduled for publication in the **IDAHO MOUNTAIN EXPRESS** on **5/23/2012 and 5/30/2012**. Protests to this application may be submitted for a period ending ten (10) days after the second publication (**June 11, 2012**).

If the application is protested, you will be sent a copy of each protest. All protests must be resolved before the application can be considered for approval. If the protest(s) cannot be resolved voluntarily, the Department will conduct a conference and/or hearing on the matter.

If the application is not protested, the Department will process your application and notify you of any action taken on the application. If your application is approved, the Department will send you a copy of the approval document.

Please contact this office if you have any questions regarding the application.

Sincerely,

Denise Maline
Administrative Assistant

cc:

BROCKWAY ENGINEERING
2016 N WASHINGTON ST, STE 4
TWIN FALLS, ID 83301



State of Idaho

DEPARTMENT OF WATER RESOURCES

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

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

C. L. "BUTCH" OTTER
Governor

GARY SPACKMAN
Interim Director

May 17, 2012

KEVIN LAKEY
WATER DISTRICT #37
107 W 1ST
SHOSHONE, ID 83352

RE: Transfer No. 77912
Water Right No(s): 37-458B, 37-2125

Dear Mr. Lakey:

A copy of the above referenced application is enclosed. Please review the application, then complete the enclosed recommendation form and return it to this office within 21 days of the date of this letter.

If the application is approved, IDWR will include appropriate standard conditions of approval for a water right located within a water district, such as regulation by the watermaster, lockable controlling works, and/or measuring devices. Any special conditions or other concerns you have related to this application should be specifically addressed in your recommendation.

IDWR's regional offices can finish reviewing an unprotested application as soon as the protest period has past. Your prompt response to this request will ensure that your recommendation can be considered. If IDWR has not received your written recommendation within 21 days from the date of this letter, IDWR will presume that you do not oppose approval of the application and that you have no comments for IDWR to consider.

Sincerely,

Denise Maline
Administrative Assistant

Enclosure(s)

Maline, Denise

From: Maline, Denise
Sent: Thursday, May 17, 2012 1:15 PM
To: Idaho Mountain Express
Subject: LEGAL NOTICE
Attachments: Idaho Mountain Express Cover Letter.docx; Idaho Mountain Express Ad.docx

Attached please find (1) legal notice being submitted for publication on May 23rd & 30th, 2012. Please contact me if you have any questions, or if you are not able to run the ad on the dates requested.

Also, please note my new e-mail address listed below. I recently got married and have changed my name. If you have any trouble reaching me via e-mail, please call our office at (208) 736-3033.

Thank you in advance,

Denise Maline (*formerly Buffington*)
Administrative Assistant
Idaho Department of Water Resources
1341 Fillmore St, Ste 200
Twin Falls, Idaho 83301
(208) 736-3033
denise.maline@idwr.idaho.gov

May 17, 2012

LEGAL NOTICE DEPARTMENT
IDAHO MOUNTAIN EXPRESS
PO BOX 1013
KETCHUM, ID 83340

RE: Transfer No. 77912
Water Right No(s): 37-2125, 37-458B

RE: Transfer No. 77917
Water Right No(s): 37-8119

Dear Legal Notice Department:

Please publish the enclosed legal notice on the dates indicated (once a week for two consecutive weekly issues). If you cannot publish the notice on the proposed dates, please contact us immediately.

An affidavit of publication must be submitted to the Department along with the publication bill. Please send the affidavit and bill to this office before June 11, 2012. Your cooperation is appreciated.

Sincerely,

Denise Maline
Administrative Assistant

Enclosure(s)

**NOTICE OF PROPOSED CHANGE OF WATER RIGHT
TRANSFER NO. 77912**

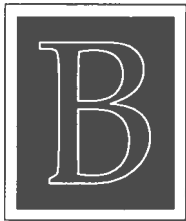
MID-VALLEY WATER COMPANY, LLC, C/O THE KIRK GROUP, PO BOX 4380, KETCHUM, ID 83340 has filed Application No. 77912 for changes to the following water rights within BLAINE County(s): Right No(s). 37-2125, 37-458B. The purpose of the transfer is to change a portion of the above rights as follows: Transfer proposes to create a 24.6 acre permissible place of use and add a point of Re-Diversion to two surface water rights, one from Clear Creek another from an Unnamed stream. The surface water rights currently authorize a combined diversion of 0.46 cfs and the irrigation of 11.5 acres. The approximate location of the proposed permissible place of use is 2.8-3.5 miles south and 0.3-0.5 miles east of the City of Ketchum.

**NOTICE OF PROPOSED CHANGE OF WATER RIGHT
TRANSFER NO. 77917**

MID-VALLEY WATER COMPANY, LLC, C/O THE KIRK GROUP, PO BOX 4380, KETCHUM, ID 83340 has filed Application No. 77917 for changes to the following water rights within BLAINE County(s): Right No(s). 37-8119. The purpose of the transfer is to change a portion of the above rights as follows: Transfer proposes to add 2 new points of diversions and change the place of use for a Municipal ground water right. The ground water right currently allows for the diversion of 0.97 cfs and the irrigation of 15.0 acres from an existing well. The approximate location of the proposed place of use is 2.8-3.5 miles south and 0.3-0.5 miles east of the City of Ketchum.

For additional information concerning the property location, contact Southern Region office at (208) 736-3033; or to see a full description of these rights and the proposed transfer, please see www.idwr.idaho.gov/apps/ExtSearch/WRFiling.asp. Protests may be submitted based on the criteria of Idaho Code Sec. 42-222. Any protest against the proposed change must be filed with the Department of Water Resources, Southern Region, 1341 Fillmore St, Suite 200, Twin Falls ID 83301 together with a protest fee of \$25.00 for each application on or before June 11, 2012. The protestant must also send a copy of the protest to the applicant.

GARY SPACKMAN, Interim Director
Published on May 23rd & 30th, 2012



BROCKWAY
ENGINEERING
P.L.L.C.

Hydraulics

Hydrology

Water Resources

RECEIVED

FEB 22 2012

DEPT. OF WATER RESOURCES
SOUTHERN REGION

February 22nd, 2012

Mr. Benny Walker
Idaho Department of Water Resources
1341 Fillmore Street, Suite 200
Twin Falls, ID 83301

RE: Mid-Valley Water Co. LLC- (2) Water Right Transfer Applications.

Dear Benny,

Attached is the original water right transfer application package (two water right transfer applications and supporting documents) that was filed on January 23rd 2012 on behalf of Mid Valley Water Co LLC. This water right transfer application package was returned to our office on January 27th 2012 along with a letter from yourself citing several omissions from the application package, including the need for the following;

1. Documentation indicating Mid-Valley Water Co. LLC owns the water rights included in the transfer applications (37-458B, 37-2125 and 37-8119).
2. Documentation allowing Mid-Valley Water Co. LLC to transfer water rights to land leased by Clear Creek LLC.
3. Documentation showing the location of the 11.5 acres to be irrigated by surface water rights 37-458B and 37-2125 within the proposed 24.6 acre permissible place of use.
4. Documentation showing that the person whom signed the transfer applications, George Kirk, is authorized to sign on behalf of the applicant, Mid-Valley Water Co. LLC.
5. Documentation of Part 2A's for all water rights included in both water right transfer applications.

In addition to the original application submittal package, we have addressed the concerns and deficiencies addressed in your letter and processing of these two water right transfer applications should be able to be performed as the following additional materials have been included;

1. A Contribution, Assignment and Conveyance document- water rights 37-458B, 37-2125 and 37-8119 have been conveyed to Mid-Valley Water Company LLC.
2. Letter from Clear Creek LLC authorizing Mid-Valley Water Company LLC to obtain water rights for land leased by Clear Creek LLC.
3. A map showing the location of the 11.5 acres to be irrigated within the proposed 24.6 acre PPU upon water right transfer application approvals is included with the surface water transfer application.

CHARLES E.
BROCKWAY,
PH.D., P.E.

CHARLES G.
BROCKWAY,
PH.D., P.E.

2016 NORTH
WASHINGTON
STREET • SUITE 4

TWIN FALLS,
IDAHO 83301

208•736•8543

FAX: 736•8506

4. Mid-Valley Water Company LLC- Operating agreement naming George Kirk as its registered agent whom is authorized to sign on behalf of Mid-Valley Water Company LLC, GRK LLC Idaho Secretary of State Business entity filing- George Kirk, manager.
5. Part 2A's for each water right named in each water right transfer application are included.

As you are aware per recent telephone conversations and correspondence sent to our office on March 9th 2011, Corey Skinner has indicated that a credit of \$540.00 exists under IDWR receipt S027827 because two previous water right transfer applications involving these water rights were returned to Brockway Engineering but a refund was never issued by IDWR. The transfer involving surface water lists a total diversion rate of 0.46 cfs, with a corresponding filing fee of \$500.00. The transfer involving ground water lists a total diversion rate and volume of 0.97 cfs/174 acre-feet, with a corresponding filing fee of \$580.00 (using the larger of the two values- volume). Therefore, a check from Brockway Engineering (check #10546) for \$540.00 (\$500.00 + \$580.00 - \$540.00 credit = \$540.00) has been included.

Please copy our office on all correspondence regarding these water right transfer applications. Don't hesitate to call our office should you have any further questions or comments. Thanks for your time and assistance on this matter.

Regards,



Zach Latham, M.S., Hydrologist

- Enclosures:
- (2) Water Right Transfer Applications, Part 2A's and 2 Maps
 - (1) Contribution, Assignment and Conveyance Document- Mid Valley Water Company LLC- Water Right Ownership
 - (1) Consent Letter- Clear Creek LLC
 - (1) Operating Agreement- Mid-Valley Water Company LLC
 - (1) Idaho Secretary of State Business Entity Filing- GRK LLC
 - (1) The Meadows LLC Lease Agreement
 - (1) Drashner Gardner Lease Agreement
 - (1) Contribution, Assignment and Conveyance- Mid-Valley Water Co. LLC
 - (1) Brockway Engineering Check #10546

Cc: George Kirk- The Kirk Group w/o attachments



State of Idaho

DEPARTMENT OF WATER RESOURCES

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C. L. "BUTCH" OTTER
Governor

GARY SPACKMAN
Interim Director

January 27, 2012

RECEIVED

JAN 30 2012

Brockway Engineering
2016 N Washington St
Suite 4
Twin Falls, ID 83301

Gentlemen:

Our office recently received two water right transfer applications that you submitted on behalf of Mid-Valley Water Co.LLC c/o The Kirk Group. The first transfer application deals with surface water rights 37-458B and 37-2125 and seeks to create a permissible place of use and add a point of re-diversion. The second transfer application deals with ground water right 37-8119 and seeks to create a permissible place of use and add two additional points of diversion. However, a recent review of the transfer applications revealed issues and/or incomplete items that make them unacceptable for processing. As a result, we are returning the transfer applications and the filing fees of \$540.00 (Brockway Engineering check # 10546).

The first transfer involving surface water rights 37-458B and 37-2125 according to IDWR records list The Meadows LLC as the current owner of water rights. There is no information included with the transfer application that indicates that the applicant Mid-Valley Water Co. owns the rights to be transferred, or has any authority to make changes to the rights.

For applications that propose changing the place of use of a water right, the applicant not only needs to show that they own the right involved with the transfer &/or the land to which it is appurtenant, but they must also show that they own the land where they are proposing to move the water right to. If the land is owned by a party other than the applicant, then the applicant must have some sort of documentation from the current owner of the land allowing the applicant to move the water right(s) to their land. In addition, documentation must be included that addresses the ownership of the right(s) on the land. The documentation must clearly address the issue of whether the applicant will retain ownership of the right(s) on someone else's land, or whether the land owner will own the right(s) once the transfer is approved. There is no documentation included with the applications showing ownership of the proposed places of use.

Drushner Pave LLC consent for water transfer - lease, pg 4 n 2, #6.

Page 2

Brockway Mid-Valley Water Co. Transfers Letter
January 27, 2012

In addition the Department requires a map showing the specific 11.5 acres of irrigation allowed under these rights within the 24.6 acre permissible place of use. ✓

For the second transfer involving ground water right 37-8119 the applicant is the listed water right owner for this right. A Business Entity Search at the Idaho Secretary of State's website was conducted and Edward A Lawson is currently listed as manager for Mid-Valley Water Company, LLC. The intent of this search is to ensure that the organization is properly identified, including identification of individuals with signature authority and responsibility to conduct the organization's activity. If the application for transfer is signed by someone other than the applicant(s) as listed on the application, documentation is needed to establish that the signatory is a representative of the applicant and is authorized to sign on the applicant's behalf. Documentation is needed to show that George Kirk is authorized to sign on behalf of the applicant.

An application for transfer part 2A report describing each water right in the transfer as currently recorded also needs to be included. This was omitted from both transfer applications. An application for transfer must be prepared in accordance with the minimum requirements for processing by the Department. ✓

If you have any questions, or if I can be of any further assistance, feel free to contact me at your convenience.

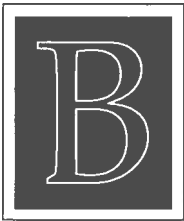
Sincerely,



Benny Walker
Water Resource Agent

Enclosures

cc: Mid-Valley Water Co.LLC co The Kirk Group
w/o Enclosures



BROCKWAY
ENGINEERING
P.L.L.C.

Hydraulics

Hydrology

Water Resources

January 23rd, 2012

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

RECEIVED

JAN 25 2012

DEPT. OF WATER RESOURCES
SOUTHERN REGION

RE: Mid-Valley Water Co. LLC- (2) Water Right Transfer Applications.

Dear Allen,

Attached are two water right transfer applications in the name of Mid-Valley Water Co. LLC. The first transfer application deals with surface water rights 37-458B and 37-2125 which seeks to create a permissible place of use and add a point of re-diversion. The point of re-diversion will allow water from surface right sources to be used within the proposed PPU. The second transfer application deals with ground water right 37-8119 which seeks to create a permissible place of use, as well as add two additional points of diversion to match those described in permit 37-21489. Because 37-8119 and 37-21489 will share the same POD's, the POU for both rights should match in order to deliver irrigation water to the entire POU in one irrigation system. No expansion in number of acres irrigated or flow rate is sought above what has been partially decreed or permitted under these water rights.

Both water right transfer applications have been filed in the name of Mid-Valley Water Co. LLC. Ground water right 37-8119 is currently owned by Mid-Valley Water Co. LLC. Surface water rights 37-458B and 37-2125 are currently in the name of The Meadows LLC. Attached are a Contributions, Assignment and Conveyance document which transfer ownership of 37-458B and 37-2125 from The Meadows LLC to Mid-Valley Water Co. LLC. Also attached are lease agreements for the proposed surface water and ground water PPU's.

Per recent telephone conversations and correspondence sent to our office on March 9th 2011, Corey Skinner has indicated that a credit of \$540.00 exists under IDWR receipt S027827 because two previous water right transfer applications involving these water rights were returned to Brockway Engineering but a refund was never issued by IDWR. The transfer involving surface water lists a total diversion rate of 0.46 cfs, with a corresponding filing fee of \$500.00. The transfer involving ground water lists a total diversion rate and volume of 0.97 cfs/174 acre-feet, with a corresponding filing fee of \$580.00 (using the larger of the two values- volume). Therefore,

CHARLES E.
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a check from Brockway Engineering (check #10546) for \$540.00 (\$500.00 + \$580.00 -\$540.00 credit = \$540.00) has been included.

Please copy our office on all correspondence regarding these water right transfer applications. Don't hesitate to call our office should you have any further questions or comments. Thanks for your time and assistance on this matter.

Regards,



Zach Latham, M.S., Hydrologist

Enclosures: (2) Water Right Transfer Applications and Map
(1) The Meadows LLC Lease Agreement
(1) Drashner Gardner Lease Agreement
(1) Contribution, Assignment and Conveyance- Mid-Valley Water Co. LLC
(1) Brockway Engineering Check #10546

Cc: George Kirk- The Kirk Group