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April 25, 2008

Allen D. Merritt
Southern Regional Office
Idaho Department of Water Resources
1341 Fillmore St., Ste. 200
Twin Falls, ID 83301-3033

Re: *Groundwater Recharge Basins in Blaine County*

Dear Allen:

This is to advise you that The Valley Club, Inc. and The Valley Club Owners' Association, Inc. have an agreement, in principle, by which they propose to cooperate in the siting of one or more groundwater recharge basins to be located on their respective properties in Blaine County. The locations of the proposed recharge basins are generally described in the Application for Transfer filed by Dry Lot, LLC with your office on March 21, 2008.

The Valley Club also will be filing its own transfer application to provide for recharge as mitigation in the near term. Ultimately, the respective rights of The Valley Club and The Valley Club Owners' Association to use the other's property to effect their transfers are contingent on them entering into a formal agreement concerning, among other things, the sharing of facilities and costs.

For purposes of the Department processing the Dry Lot, LLC transfer application, The Valley Club consents to inclusion of its lands as a potential recharge site in that application. Whether The Valley Club site actually can and will be used as a recharge site remains contingent upon it entering into the formal agreement with The Valley Club Owners' Association described above.

Sincerely,

William S. Potter
The Valley Club, Inc.

**AMENDMENT TO AGREEMENT FOR
PURCHASE AND SALE OF WATER RIGHTS**

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This Amendment to Agreement for Purchase and Sale of Water Rights ("Amendment"), is entered into effective April 19, 2008 for the purpose of amending certain terms of an Agreement for Purchase and Sale of Water Rights entered into by the undersigned parties effective March 18, 2008 ("Agreement"), as described below.

RECITALS

- A. The parties have entered into the Agreement by which the Buyer has agreed to purchase, and Seller has agreed to sell, a 10/289ths portion of certain water rights owned by Seller as described in Exhibit A to the Agreement (the "Water Rights").
- B. Paragraph 5.1 of the Agreement provides that Buyer and Seller shall jointly file with the Idaho Department of Water Resources ("IDWR") an application to transfer the Water Rights ("Transfer Application") for Buyer's purposes, and that the Transfer Application would be filed with IDWR within thirty days of the Agreement's effective date. Paragraph 5.1 also provides the thirty-day time period is subject to extension upon written agreement of the parties.
- C. Buyer has proceeded diligently with preparation of the Transfer Application, but believes Buyer will require approximately another forty-five days to finalize the Transfer Application in consultation with the Seller and with IDWR.
- D. Buyer and Seller wish to extend the time period for filing the Transfer Application so that the Transfer Application can be prepared and receive the appropriate review by Buyer and Seller, and as appropriate, receive a pre-filing review by IDWR.

NOW THEREFORE, in consideration of the above recitals, and other good and valuable consideration, Buyer and Seller agree as follows:

- 1. Paragraph 5.1 of the Agreement is amended hereby to read as follows:

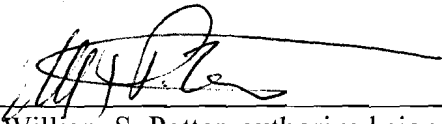
- 5.1. Transfer Application. Buyer shall be responsible to pay for all fees and costs of the transfer, whether or not the transfer is approved by IDWR. Seller and Buyer shall jointly file for the transfer ("Transfer Application") within seventy-five (75) days from the date of this Agreement, unless an extension is agreed to in writing by the parties hereto. As the current owner of the Water Right, Seller agrees to cooperate in the Transfer Application by signing any and all necessary documents to facilitate the transfer, and Seller agrees to support the transfer before IDWR or any other applicable governmental entity or political subdivision.

2. Except as expressly amended by this Amendment, the Agreement is and remains in full force and effect, unchanged. This Amendment may be executed in counterparts and facsimile signatures shall be acceptable to bind the parties hereto.

IN WITNESS WHEREOF, the parties have executed this Amendment to Agreement for Purchase and Sale of Water Rights effective the day and year first above written.

Dated: 4/28/08 **BUYER:**

The Valley Club, Inc., an Idaho corporation

By: 
William S. Potter, authorized signator

Dated: _____ **SELLER:**

South County Estates, LLC, an Idaho
limited liability company

By: _____
John Scherer, Managing Member