



August 23, 2007

Allen Merritt
Southern Region Manager
Idaho Department of Water Resources
Twin Falls, ID

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SEP 20 2007

DEPT. OF WATER RESOURCES
SOUTHERN REGION

Dear Mr. Merritt,

Re: Application for Permit and Transfer Valley Club Owners Association, Inc.

The Board of the Valley Club Owners Association, Inc. ("VCOA") asked several of the Board members and owners to expeditiously purchase for the eventual benefit of the VCOA approximately 60 acres of the Old Cutter water rights.

These individuals formed Dry Lot LLC and contracted to purchase those rights.

Upon approval of the application submitted to IDWR by VCOA, the purchase will be completed and the rights will be assigned to the VCOA.

Yours truly,

Darrell Rubell
President, VCOA
Manager, Dry Lot LLC

B. I. Friedlander
Vice President, VCOA
Manager, Dry Lot LLC

James Luckman
Board Member, VCOA
Manager, Dry Lot LLC

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0 150 300 600 Feet

**VALLEY CLUB PROPERTY OWNERS ASSOCIATION
WATER RIGHTS 37-21130, 37-21137, 37-21139
2006 NAIP AERIAL**

Legend

- IDWR REC. POU 37-21130, 21137, 21139
- Cutter Split
- Acres_to**
- Cutters Retain 6 ac.
- Valley Club HOA 60 ac. *-dry up*
- t02n18e



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

THIS ADDENDUM is made this 14th day of February, 2008, by and between OLD CUTTERS, INC., an Idaho corporation, whose address is P.O. Box 4944, Ketchum, Idaho, 83340 (hereinafter "Seller") and DRY LOT, LLC., an Idaho limited liability company, whose address is c/o Woody Friedlander, 116 Valley Club Dr., Hailey, Idaho 83333 (hereinafter "Buyer").

RECITALS

A. Buyer and Seller entered into an *Agreement for Purchase and Sale of Water Rights* (hereinafter "Agreement") on May 11, 2007 (attached hereto as **Exhibit A**).

B. Approval of the applications identified in the Agreement has been delayed by the Idaho Department of Water Resources ("Department"), and objections have been filed to the Seller's water right claims in the Snake River Basin Adjudication ("SRBA").

C. The Parties desire to enter into this Addendum to address these issues.

TERMS AND CONDITIONS

i) **INCORPORATION OF RECITALS.** The Recitals set forth above are an integral part of this Agreement and are fully incorporated herein by this reference.

ii) **AGREEMENT IN FULL FORCE AND EFFECT.** The Parties mutually agree that the Agreement remains in full force and effect except as modified by this Addendum. In the event of any conflict the terms and conditions of this Addendum shall control over those in the Agreement.

iii) **ADDITIONAL EARNEST MONEY / APPROVAL DATE.** On or before February 15, 2008, Buyer shall deposit into escrow with Sun Valley Title Company (the "Closing Agent") the sum of Fifty Thousand Dollars (\$50,000) to be held as earnest money and applied to the purchase price at the Closing. Buyer shall have until July 1, 2008 to obtain the Department's approval of the Applications.

4. **PROTESTS TO APPLICATIONS / ADDITIONAL EXTENSION.** In the event Buyer's Applications are protested, Buyer shall have the right to extend the July 1, 2008 deadline another 90 days by payment directly to Seller on or before July 1, 2008 of the sum of Fifty Thousand Dollars (\$50,000) in cash or other immediately available funds (the "Extension Payment"). The Extension Payment shall be the consideration for the 90 day extension and shall not be applied to the purchase price. Additional 90 day extensions can be purchased for additional \$50,000 payments. Additional extension payments shall be the consideration for the additional 90 day extensions and shall not be applied to the purchase price.

5. **APPLICATIONS APPROVAL / EARNEST MONEY NON-REFUNDABLE.** In the event the Department approves the Buyer's Applications as described in paragraph 5 of the Agreement, the earnest money deposited by Buyer shall become non-refundable upon the date of the Department's approval. If protests are filed to the Buyer's Applications, Buyer shall have the

discretion to Close at any time or purchase extensions as provided for in Paragraph 4 above. .

6. DUTY TO DEFEND WATER RIGHTS IN SRBA. Seller shall continue to defend its water right claims in the SRBA and attempt to resolve the outstanding objections. Seller shall consult with Buyer as to any actions taken with respect to the Water Rights in the SRBA and Buyer shall have the right to approve any settlement of the objections that may occur prior to Closing. In the event the objections are not resolved prior to Closing, Buyer agrees to assume the obligation to resolve and/or litigate those objections after Closing.

IN WITNESS WHEREOF, the parties have caused their names to be subscribed on the dates set forth below.

"SELLER"

OLD CUTTERS, INC.

DATE: 2/11/08

By: J. Campbell
John Campbell, President

"BUYER"

DRY LOT, LLC

DATE: FEB 14, 2008

By: [Signature]