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APR 17 2008

DEPT. OF WATER RESOURCES
SOUTHERN REGION

April 17, 2008

Jeff Cooper
Idaho Department of Water Resources
1341 Fillmore Street, Suite 200
Twin Falls, ID 83301

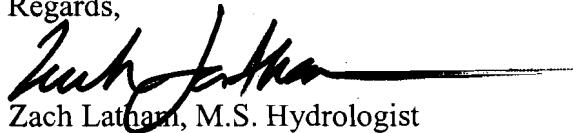
Re: Valley Club Homeowners Association – Dry Lot LLC Revised Permit Application.

Dear Jeff,

At your recommendation during our conversation at your office at IDWR yesterday, April 16th 2008, I have attached an amended permit on behalf of Dry Lot LLC. The amended permit now shows the correct acreage for the proposed place of use at 219.2 acres, with 2.0 acres being in the SENW Sec. 20 T.03N R.18E Blaine County, Idaho.

Thank you again for your prompt attention to this application. I believe you had indicated that advertising could proceed immediately as soon as the revision was made in the permit. Don't hesitate to call Chuck Sr. or myself should you have any comments, questions or concerns. Have a great day.

Regards,



Zach Latham, M.S. Hydrologist

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

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

Enclosures

cc: Woody Friedlander

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WASHINGTON
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IDAHO 83301

208•736•8543

FAX: 736•8506

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VALLEY CLUB

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March 13, 2008

Mr. Darrell Rubel, President
The Valley Club Owners Association, Inc.
c/o Jim Speck
Speck & Aanstad
120 East Avenue
Ketchum, ID 83340

Re: Understanding re: Mitigation Recharge Basin Siting

Dear Mr. Rubel:

This letter agreement is the result of discussions on March 10th in Hailey, concerning The Valley Club Owners Association, Inc.'s ("TVCOA") pending water right transfer application involving the use of the Old Cutter water rights as mitigation for TVCOA ground water diversions (the "Old Cutter Transfer"). The Valley Club, Inc. ("TVC") also anticipates filing a similar transfer application for water rights it is acquiring.

There is the potential that TVC and TVCOA each could benefit by cooperating in the development of common facilities on their respective properties to implement the mitigation contemplated by their applications. One option discussed was the use of certain TVC property as a mitigation recharge basin site. The contemplated location of the TVC Site is immediately east of Highway 75 and the bike path where TVC's current pipeline from the Hiawatha Canal enters TVC's property. (the "TVC Site"). The other cooperative option discussed was the use of TVCOA property on the northern end of the TVC property as a mitigation recharge basin, which is a site already described in TVCOA's pending Old Cutter Transfer application. TVCOA could revise its pending Old Cutter Transfer application to include the TVC Site as an alternative location provided TVCOA could demonstrate it has the ability to use the TVC Site.

The purpose of this letter then, is to confirm that TVC is willing to cooperate with TVCOA in analyzing the potential for developing, and depending on feasibility and necessary approvals, for developing the TVC Site for use by TVCOA and TVC with the

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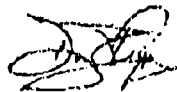
Mr. Darrell Rubel
March 13, 2008
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understanding that their joint use of the TVC site would be subject to mutually agreed to terms and conditions that would be incorporated into a yet-to-be drafted long-term agreement. TVC is willing to consent to TVCOA's inclusion of the TVC Site as an alternate mitigation site in the pending Old Cutter Transfer application subject to that condition. TVC will provide documentation now of this conditional consent to the Idaho Department of Water Resources ("IDWR") to facilitate the Old Cutter Transfer application with the understanding that actual use of the TVC Site by TVCOA will be subject to TVC and TVCOA ultimately entering into a binding agreement on terms approved by their respective boards.

TVC is willing to share with TVCOA the necessary costs to conduct test pit analysis to determine whether the TVC Site can serve as a mitigation recharge basin. The specifics of conducting those tests will need to be coordinated with TVC and its consultant, Chuck Brendecke before they commence.

If the above terms are acceptable to TVCOA, please indicate by having the appropriate association officer sign below. Once I have received this letter agreement signed by TVCOA, TVC can prepare an appropriate consent that can be used by TVCOA in support of its application.

Sincerely,



Doug Rhymes, President
The Valley Club, Inc.

MCC:ch

THIS DOCUMENT IS THE PROPERTY OF TVCOA. It is to be used only for the purpose for which it was prepared.