

Richard W. Jankowski
Attorney

Phone: (208) 342-4570
Fax: (208) 363-7354
Email: rwj@rmci.net

RECEIVED
OCT 29 2004
DEPARTMENT OF
WATER RESOURCES
P.O. Box 1518
Boise, Idaho 83701

October 28, 2004

Via US Mail

Jeff Peppersack
Idaho Department of Water Resources
P.O. Box 83720
Boise, ID 83720-0098

File: Sundance / Water Rights Issues
Re: Water Right No. 63-31194

Mr. Peppersack:

I am writing on behalf of my client, Sundance Investments Limited Partnership ("Sundance"). My client received a copy of a letter from Daniel V. Steenson to you, dated September 2, 2004, in which Mr. Steenson states that Sundance's filing a Change in Water Right Ownership for water right no. 63-31194 is an error. This statement is incorrect. Sundance has requested that I write to you in response to Mr. Steenson's letter.

Sundance acquired the land listed as the place of use for the water right. As part of this purchase, Sundance also acquired "**water and water rights appurtenant to or used on [the subject property] and all shares, certificates and other documents evidencing such water rights**" (quoting the purchase and sale agreement). I have enclosed a copy of this page of the purchase and sale agreement with this language highlighted. Mr. McKay signed this purchase agreement, as well as a warranty deed that contains identical language, conveying water right no. 63-31194 to Sundance.

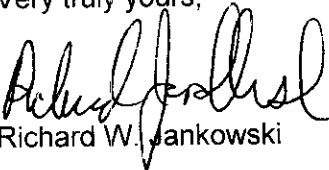
Moreover, the water right is being put to beneficial use by Sundance. Sundance has designed a pump system for use of the water right, 63-31194, needed for irrigation of Sundance's Silver Stone Business Campus in accordance with the City of Meridian's conditions of development for this project.

Clearly, Sundance is the proper owner of water right no. 63-31194. Sundance refutes any assertions from Mr. Steenson to the contrary.

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I appreciate your attention to this matter. Feel free to contact me with questions or comments. Thank you.

Very truly yours,



Richard W. Jankowski

Cc: Daniel Steenson (via US Mail)
Sundance (via fax)

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DEPARTMENT OF
WATER RESOURCES

PURCHASE AND SALE AGREEMENT

This Purchase and Sale Agreement (this "Agreement") is made and entered into effective as of the 9th day of January, 2003, by and between Sundance Investments Limited Partnership, an Idaho limited partnership, or its assigns ("Buyer"), and Miller Family Trust as to a 10% undivided interest, Christopher J. Kepus as to a 10% undivided interest, Alfred W. Sturr as to a 10% undivided interest, Richard Lavender as to a 10% undivided interest, Loyal A. and Irene Mehrhoff Trust as to a 10% undivided interest, Fred Nakaji as to a 10% undivided interest, Mary Ballantyne and Estate of James H. Ballantyne as to a 10% undivided interest, Bruce R. Pickett as to a 10% undivided interest, L. Darwin McKay as to a 2.5% undivided interest, Donna McKay as to a 2.5% undivided interest, Fred Delgadillo, Sr. as to a 5% undivided interest, Bob Delgadillo as to a 5% undivided interest, and Fred Delgadillo, Jr. as to a 5% undivided interest (collectively, "Seller").

Recitals

A. Seller owns as tenants-in-common that certain property depicted on Exhibit A, attached hereto and made a part hereof, (the "Property"), consisting of approximately 78.39 acres.

B. Buyer desires to purchase, and Seller desires to sell, the Property according to the terms and conditions set forth below.

Agreement

NOW, THEREFORE, in consideration of the recitals, the mutual covenants hereafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are mutually acknowledged, it is agreed by and between the parties as follows:

1. **PROPERTY TO BE PURCHASED.** Buyer agrees to purchase, and Seller agrees to sell, the Property, together with all easement rights, mineral rights, other appurtenances, water and water rights appurtenant to or used on the Property and all shares, certificates, and other documents evidencing such water rights.

2. **PRICE; EARNEST MONEY NOTE.** The purchase price for the Property is ~~Eighty Thousand Dollars (\$80,000) (Eighty Thousand Dollars (\$80,000))~~ (the "Purchase Price"). The Purchase Price shall be payable through escrow as follows:

a. **Deposit.** By no later than January 13, 2003, Buyer shall deposit Fifty Thousand Dollars (\$50,000) (Earnest Money), to be held for the benefit of Seller. If Buyer elects to not purchase the Property in accordance with the terms and conditions of this Agreement, the Earnest Money shall be released to Buyer.

b. **Cash at Closing.** At Closing, the Earnest Money shall be released to Buyer, and Buyer shall pay the Purchase Price, as adjusted pursuant to this Agreement, to Seller in cash.