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Special Master

**IN THE DISTRICT COURT OF THE FOURTH JUDICIAL DISTRICT
OF THE STATE OF IDAHO, IN AND FOR THE COUNTY OF BOISE**

DENNIS LARGENT, MARY CORDOVA,
CHUCK STEELE, JULIE STILLMAN,
ROLLY WOOLSEY, MEMBERS OF THE
BOARD OF DIRECTORS OF THE TERRACE
LAKES WATER COMPANY,

Plaintiffs,

v.

ILENE JOHNSON, LONNIE BRAMON, and
DARLENE BLAKESLEE,

Defendants.

Case No. CV08-21-00103

REPORT OF THE SPECIAL MASTER

The Court appointed this Special Master “for the limited purpose of conducting an accounting and determining whether all Company books and records have been transferred to the Plaintiffs.” (Findings of Fact & Conclusions of Law Following Evidentiary Hearing, Filed March 29, 2022. “Findings” page 23.) This authorization was renewed in the Court’s Memorandum Decision on Order for Entry of Declaratory Judgment, filed May 12, 2023, page 22. This Special Master was also tasked by the Court to “witness the annual meeting and elections, and any amendment to the Bylaws or Articles that may occur, to include collecting and counting the ballots and proxies to ensure that both the Bylaws and the Court’s Orders herein are followed

REPORT OF THE SPECIAL MASTER - 1.

and complied for 2023. . . [The Court found] the oversight of a Special Master is necessary for the protection of not only all the Subscribers, but also the current Board members and Company. This extension of duty shall only be for the meetings and election held in 2023, as they are necessary to get the Company on track, in compliance, and deescalate the conflict which has occurred in meetings since 2020.”

A report as to the accounting of records was to be filed by this Special Master, and this is that report. No report to the Court as to the oversight of the meetings/elections is contemplated at this time. However, this Special Master has advised the parties to notify me with sufficient time for me to schedule my availability to participate in the meeting(s) as ordered by the Court.

BACKGROUND

I met with Plaintiffs’ counsel and the Plaintiffs, and then met with Ilene Johnson and her attorney. I asked for, and obtained a list of documents Plaintiffs sought me to locate. (See, Footnote 4, *infra*.) This list included receipts/invoices/draw requests to support the expenditure of loan proceeds; and other supporting records of physical assets and loan transactions. I then provided that list to Ms. Johnson and her counsel and followed up with an in-person meeting to obtain those documents. I was provided numerous documents and exhibits from this lawsuit as a result of all these meetings.

I also interviewed the project (and Terrace Lakes Water Company (“TLWC”)) engineer, Tim Farrell, to obtain information from him about these documents.¹ He provided me his understanding of the work performed for the water projects and the flow of funding. He specifically

¹ Mr. Farrell reported to me that he had not yet been interviewed or deposed by either party to this litigation, but had significant involvement in the issues relevant to my tasks. It may be beneficial for the parties to interview Mr. Farrell.

was instrumental in obtaining the consolidated guaranteed loan through USDA Rural Development (“USDA”) for \$1.285M.

After meeting with Ms. Johnson and her attorney, I provided information gleaned from that meeting, together with documents from Mr. Farrell, to the Plaintiffs and their counsel. I received responsive information from them about what I provided.

Based upon these interviews, and a review of the documents provided, I have reached the findings and conclusions as stated below.²

EXECUTIVE SUMMARY

I find that, in general, the record-keeping and storage of documents by Plaintiffs (in particular, Ilene Johnson, whose role seems to be the master of all things Terrace Lakes) is woefully lacking. Whether the records ever existed, or have been lost is difficult to know. I visited Ms. Johnson’s office in Boise, and found it completely disorganized and overflowing with all manner of documents and desks. I can’t say Ms. Johnson has no way of finding appropriate records for sure, but if they have not been produced, I surmise that it is because they are lost or unfound in her unorganized state. I found no evidence that records have been intentionally destroyed. Ms. Johnson readily admitted that there were documents she did not create or keep (for example, water service agreements as required by the bylaws). She admitted she did not know what these were, and so she did not do anything about them.

From the list of documents requested and obtained from Plaintiffs, I am not aware of any organizational books, minutes of meetings, or documents that may exist that have not been

² The tasks the Court authorized me to perform did not include a forensic accounting report for all monies loaned and expended in the water system construction at the Terrace Lakes subdivision. I have not attempted to reconcile the accounting or loaned monies, but only determine whether records/documents should exist and do or do not now exist. While the heart of the Plaintiffs’ concerns, apparently, is “where is the money?”, I leave that conclusion to others.

produced. The reality is it appears that Ms. Johnson failed to conduct formal company meetings, take meeting minutes, and document actions taken by a properly elected Board that would otherwise have created memorialization histories, available for the Plaintiffs. In any regard, no such documents have been produced.

Despite numerous attempts to obtain invoices and documentation for supporting financial payments for the water system construction project, I was told by Ms. Johnson that all she had was contained in the QuickBooks screenshot records that were reportedly uploaded and produced to Plaintiffs. Whether this data holds all relevant records is for others to determine, but I can conclude that Defendants have not identified any records/documents in Defendants' control or custody that document the financial history of the loan monies paid out. Supporting financial records may be obtainable through other means and parties, as discussed below.

Plaintiffs have not identified for me any specific organizational documents they require to perform their responsibilities as the board that Defendants would have that have not been produced. However, they continue to assert they have not been provided all the leases, liens, and easements impacting the TLWC, or benefiting its operations. I received one new lease (Well No. 5) not previously provided to Plaintiffs who requested all such documents. This demonstrates to me that some relevant business documents have not been produced by Defendants, required by Plaintiffs to perform their functions

Additionally, there continues to be an inability by Defendants to produce sufficient financial records to justify the indebtedness to the TLWC.

For these reasons, and the supporting information found elsewhere in this report, I am unable to conclude definitively that Defendants have provided all relevant Company books and records that exist, to which the current board is entitled.

REPORT OF THE SPECIAL MASTER - 4.

ANALYSIS OF INFORMATION OBTAINED

Some of the documents produced in this litigation have led Plaintiffs to question the accuracy of the records, and whether there are missing documents or Terrace Lakes Water Company (“TLWC”) assets.

The most significant issue raised is whether there are supporting documents for where the loaned monies have been expended. A brief explanation of my understanding on that issue may be helpful.

As noted above, the key witness to finding the financial and construction documents in this matter is apparently an untapped resource, namely the project engineer, Tim Farrell. Mr. Farrell has been involved in this entire project from the beginning, and continues to be retained for his services by the TLWC. Yet, he reports that before I spoke with him, he had not been interviewed in depth or deposed by any party. From my interviews with him, I found the following.

The water systems project can roughly be described by the following phases:

Phase 1: The Terrace Lakes Recreation Ranch (“TLRR”) (before the TLWC exists) does the work, installs wells, etc. (may have used TLRR employee Bob Mize, and then reimbursed for his water work), and other contractors were paid using TLRR contributions, Johnson personal funds, other loans, etc. These loans were ultimately paid back by \$787K loan (#93001681). Invoices justifying payment for this work are reportedly contained in the invoicing and payment records found in QuickBooks data produced to Plaintiffs.³ Understandably, QuickBooks is not a

³ As stated, I did not do, nor was I tasked, to perform a forensic audit to reconcile monies expended with invoicing support for work performed. I did not review the QuickBooks information, but Plaintiffs acknowledged receiving screenshots of the data. Whether there are support for payments made in that data is up to the parties to determine. However, Defendants assert they are not custodians of other records they are aware of that would provide this information. If QuickBooks data is lacking, then Plaintiffs can draw whatever conclusions from that fact. However, Defendants assert there are no other records in their possession to evidence invoices or payments ultimately repaid by loans. This claim seems dubious in that such a significant element of financial documentation to be missing from their records either show incompetence, or lack of proper documentation.

primary source of financial justification, and input data is controlled by the user. The best records, and which have not yet been produced by Defendants would be actual bank statements, cleared checks, invoices, etc.

Phase 2: Continuing work on the project was funded by Les Bois Federal Credit Union loans (\$550,000 and \$787,428), some of which monies were used to pay off then-existing loan(s). The expected process for funds to be dispersed would be the contractor who did work on the project would invoice the owner (TLRR, or subsequently TLWC), and the engineer would review and approve the invoice. Draws upon the loans would then support the lender paying the contractors. The invoicing, approvals, and checks should exist in several locations: The owner's records should have kept a copy, as would the engineer. The lending institution should also have a record of these transactions/payments. The practical problem is that the original engineering company, SPF has gone through several iterations, and ultimately has been sold to another firm. Throughout all this time, however, Tim Farrell has been, and still is the constant "man on the ground." However, he has not retained the institutional records that the engineering firm should have.

Phase 3: Tim Farrell coordinated a guaranteed loan consolidation through USDA for the \$1.285M loan, which paid off loans for monies expended and documented in Phases 1 and 2 above, and finished project. Documentation and invoices would have been submitted through the same process as described above.

The invoices, receipts, check records, etc. as well as funding records detailing where the loan funds were dispersed should be found with TLWC, the engineering firm, and the lending institutions, including the USDA (which is a public entity subject, possibly subject to the Idaho Public Records Act). The parties may be able to obtain these documents from third parties, but Defendants should have kept copies from a tax/record keeping perspective.

REPORT OF THE SPECIAL MASTER - 6.

TLRR bookkeeper, Val Wardle should have kept invoices/support in QuickBooks. Tim Farrell told her to keep expenses for the project in a separate account for construction expenses. He reviewed these records in QuickBooks to track expenditures for support of his May 14, 2010, letter tracking the expenditures and loan monies (which letter has been provided to the parties). Before the loan consolidation, in the early days, expenses were run through TLRR. Some contracting work was apparently done by TLRR employee Bob Mize (e.g., building the Well #5 housing). The charges for his work would have been recorded/reported to TLRR through bookkeeping (QuickBooks) to justify the money spent from the early seed monies/loans. Those were ultimately paid back by the \$787K loan.

If these records are not contained in the QuickBooks data, then they likely do not exist and any inference that may be drawn from the absence of proof to the contrary may be presumed against the Defendants.

The USDA consolidated loan should have invoice justification for the monies expended to pay off the \$787K loan, and any additional work done for project completion resulting in the \$1.25M. These records have not been produced by Defendants (unless they exist in QuickBooks), and so again, an inference against Defendants absent documentation to prove contrary may be imposed upon the Defendants.

Whether Defendants mishandled supporting documentation, or never saved them may not absolve them of some form of responsibility, but I have not seen intentional destruction. It appears copies of the invoices supporting project construction expenditures are available from several other sources, but clearly as of this date from my interviews, Defendants failed to maintain them.

Plaintiffs identified specific documents I should look for in my efforts to report to the Court the status of disputes.⁴ In most cases, I have concluded that shoddy record-keeping and miscommunicated information has resulted in suspicious discovery responses, but nothing intentional. For example, a 1998 Chevy C25 vehicle was listed as collateral for the \$1.285M loan. Defendants now admit that vehicle was purchased for use by the original water master, but later junked and towed away. Ms. Johnson admits, “It should not have been on the loan papers because it was personal property. The banker included it on the loan papers because it was on the Water Company’s financial statement. To remove it from the documents and redo them would have held up closing.”

Additionally, loan documents referenced “installation of water meters,” but there are, admittedly no water meters on this project according to Ms. Johnson. Likewise, the furniture listed on balance sheets does not exist, and should not have been put on the balance sheets. Ms. Johnson also reports that there are no liens on homeowners for non-payment of water fees, because no one has been delinquent. As noted above, there are no bylaws-required water service agreements, because Ms. Johnson admits she never produced any.

Tax returns for the TLWC are available through the current accountant, Rick Sager, which should be accessible to the current TLWC board.

Defendants state, as to assets of the TLWC: “They do not own any land. They have leases on the land the wells are on, and distribution system. As a condition for getting a USDA guaranteed loan to pay for all of the upgrades to the water system from 2005 to 2010, Terrace Lakes Recreation Ranch, Inc had to lease everything to the water company for \$1.00 for a hundred-

⁴ In response to an email from me to Defendants identifying the specific documents Plaintiffs seek, Ilene Johnson drafted specific responses, which is attached as the June 16, 2023 email to “Kirtland (sic) G. Naylor.”

year lease. That was part of the requirement to get the loan approved.” I have not yet received all the leases referenced above, and to my knowledge, neither have Defendants provided them to Plaintiffs.

In particular, Plaintiffs assert that Well No. 6, which rests on land owned by a third-part (Stanley Johnson), lacks a formal easement/lease allowing TLWC access to repair, inspect, and enter the land for those purposes to Well No. 6. Ilene Johnson explained to me that in 2016, TLRR sold the land upon which Well 6 rests. An addendum to the purchases and sales agreement references an easement that should inure to the landowner/seller (TLRR), but Defendants have failed to provide the Special Master with documentation that TLWC is protected from exclusion to this valuable resource they rely upon. Even if the Addendum to the land sale was documented by a lien, that lien would have been between TLRR and Stanley Johnson, which gives TLRR (not TLWC) an easement to the land upon which this well No. 6 is located.

If there is a recorded lien at closing in 2016 on that transaction establishing the easement, Defendants have not provided it to me, and have not established it exists. While Defendants assert there is an easement as to what is commonly called Well No. 6 (resting on privately owned property), they have not produced the documented easement. Rather, they report to me that they “have provided all recorded easements” existing. Either there is no easement as to Well No. 6, or Defendants have no record of it to produce. This easement is critical for TLWC to due its business in accessing this well for repair, maintenance, and protecting this significantly important asset that provides resources to TLWC subscribers. While Ilene Johnson has represented that this easement was recorded before TLRR sold the land to a private individual, no document has been kept by Defendants supporting that fact, or clearly identifying to whom the lien benefits (TLRR or TLWC or individuals). Additionally, Ms. Johnson stated to me that the easement “was on the Addendum

[#1] because it already existed. In the sale of real estate everything pertaining to the property has to be disclosed to the Buyer so there are no surprises at a later date.” However, if that was the case, then there is no explanation why the Addendum states, “Buyer to give seller an easement” Defense counsel and Ms. Johnson have repeatedly attempted to convince me that this Addendum (or other documents, including the lease agreements in Terrace Lakes Water Company Easement Agreement and Defense Trial exhibit 107) establish the easement to access/repair Well No. 6 to the benefit of the TLWC. I am not convinced, and from this one point, I understand the frustration Plaintiffs have experienced in attempting to get documented corroboration of certain facts from the Defendants.

CONCLUSION

This Special Master concludes that there have been documents requested by Plaintiffs that Defendants have not produced. Whether such documents exist anywhere depends on the type of documents. Supporting invoices/draw requests for loan funding should have been kept by the owner TLRR and TLWC, but the lending institution (and possibly the engineering firm) may also retain those documents. The fact that Defendants do not have copies, or cannot produce those particular documents appears to support the conclusion that Defendants are incompetent and have failed to take reasonable steps to ensure proper and reasonable document retention. Having personally inspected Ms. Johnson’s Boise office, I can conclude from my observations that disorganization, rather than calculated deception is to blame in this regard. As to what remedy or consequence is available for the parties or the Court is not within the scope of this report.

Much has been made and alleged by Plaintiffs that Defendants have financially benefited from the loan monies encumbering the TLWC and its current members. The documents supporting those allegations are believed to exist with the financial institutions or engineering firm involved.

It is said that you can't squeeze blood from a turnip, and it does not appear that you can squeeze documents from a disorganized litigant. The scope of this report is to not reconcile those financial transactions, but to determine "whether all Company books and records have been transferred to the Plaintiffs."

I can conclude that some documents that Defendants have provided to me were not previously produced to Plaintiff. These include at a minimum the August 26, 2009 letter from SPF Engineering to USDA RD, Draw Documents obtained from Engineer Tim Farrell⁵, the Addendum #1 to the 2016 Purchase Sale Agreement between TLRR and Stanley Johnson⁶. There may be others that I have not clearly established whether they have been produced to Plaintiffs.

I further conclude that the current TLWC board has identified documents not produced that are necessary to continue to carry out their duties on behalf of their members, including the financial support for the encumbered indebtedness the TLWC now continues to pay off, and all easements affecting the TLWC ability to maintain services and repair equipment and assets. The inability to clearly reconcile the loan monies with the expenditures by TLWC may cause the current board problems with its subscribers to whom they owe a duty.

Unless additional information comes to light that involves the scope of my authorization, I conclude this report.⁷

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⁵ Defendants respond that the 2009 letter and Draw Documents were in Mr. Farrell's possession and control, they did not have them until provided by me to them.

⁶ The PSA ostensibly may not have been relevant to the litigation; but only as it relates to whether it (and addendum #1 to it) created the easement to Well No. 6, which Plaintiffs have been requesting to protect TLWC rights and obligations.

⁷ This Special Master still has the obligation imposed by the Court to monitor the 2023 annual meeting and elections of the TLWC. I will await notification from the parties of the date and location for that meeting.

Respectively submitted this 25th day of July, 2023.

NAYLOR & HALES, P.C.

By/s/ *Kirtlan G. Naylor*

KIRTLAN G. NAYLOR

Special Master

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 25th day of July, 2023, I caused to be electronically filed the foregoing with the Clerk of the Court using iCourt e-filing system which sent a Notice of Electronic Filing to the following persons:

Michael Kane	_____	U.S. Mail
Michael Kane & Associates	_____	Email
mkane@ktlaw.net	<u> X </u>	iCourt E-File and Serve
<i>Attorney for Plaintiffs</i>		

Terri R. Pickens	_____	U.S. Mail
Pickens Law P.A.	_____	Email
terri@pickenslawboise.com	<u> X </u>	iCourt E-File and Serve
<i>Attorneys for Defendants</i>		

/s/ Kirtlan G. Naylor

KIRTLAN G. NAYLOR

June 16, 2023

To Kirtland G. Naylor,

I hope the following information helps to answer some questions. I am happy to finally get to talk to someone to defend myself.

Re: The current B. of D. of Terrace Lakes Water Company, TLWC, plaintiffs and Ilene Johnson, Lonnie Bramon and Darlene Blakeslee, former B. of D., of the TLWC defendants.

Answers of facts and explanations, all statements backed by proof.

I assume you know that Terrace Lakes Recreation Ranch, Inc., installed and owned the water system from 1967 until 2011 when it was used to get a government guaranteed loan to upgrade the system and we had to form the Terrace Lakes Water Company, a non-profit corporation to satisfy the Consent Order by DEQ.

Beings it was existing Terrace Lakes owns all of the infrastructure, wells, pump houses, reservoirs, water lines and hookups for 440 lots.

The water rights on the wells had to be given to the Water Company. Those are the only things the Water Company owns. Everything else is on easements and leases. Terrace Lakes had to turn the existing infrastructure delivery system and water rights over to the Water Company to manage for \$1.00.

The leases state Terrace Lakes Recreation Ranch, Inc., is the landlord and the Water Company is the tenant. I do not know why they are suing me and the previous Board.

The letter to explain it as I see it, will be sent as soon as my attorney gives me permission to send it.

Here is a list documents I am looking for, or an explanation where to find them:

1. Receipts for the use of the loan proceeds of Loan 9300168/BREC00, which total loan amount of \$787,428 resulted in a cash distribution of \$581,741. Some invoices identified "Terrace Lakes loan/budget breakdown as of November 4, 2010", and some were invoiced for AC Universal, which I believe is Lonnie Bramon's company. That should help get you started.

A. See folder of loan files of costs, loan papers, closing statements etc.

B. Lonnie Bramon had a company known as Marlon Construction until 2010. He owned all of the equipment at Terrace Lakes. He bought out his partner in 2010 and changed the name to AC Construction. His equipment had always been used by the Water Master and an operator to install water lines, repair breaks and install lot line valves and connect them to the main line. Anything that required equipment.

2. Sales receipt if sold, or the location of a 1998 Chevy C25 listed as collateral on the \$1.28M loan; VIN 1GBK24R6WZ200452.

Our original water master had been our maintenance man. He took the tests to be licensed as the water master for the upgrades to the water system. He had been maintaining the water system for several years prior to the Consent Order. He was complaining about using his vehicle as a work truck. It was bought before the upgrades were completed on the water system. It was later junked and sat on Terrace Lakes property for several years before it was towed. It should not have been on the loan papers beings it was personal property. The banker included it on the loan papers because it was on the Water Company's financial statement. To remove it from the documents and redo them would have held up the closing .

3. Water System Improvements Engineering Report (SPF, 2006), regarding the action taken/monies expended for the water system improvements per the DEQ Consent Order; and the total costs.

See file of loan docs, improvements, costs on engineering reports and misc. details.

- 4 . Recorded Lease Agreements for Well 6 (also known as NRTL Well 1) located on private property (Mark Johnson property?). I believe Lonnie testified that there is a lease, or some documentation establishing the easement onto the private property.

Well No. 6 was located on Terrace Lake's property. Lonnie had the test hole drilled in 2005, the well was drilled in 2006 for his Subdivision, North Ridge at Terrace Lakes. Land well is on was later sold in 2016. See below.

A. Lease Agreement for Well 6.

B. Terrace Lakes Recreation Ranch, Inc., dba Terrace Lakes Resort owned the property where Well 6 is located when it was drilled. When everything crashed in 2007 through 2019 Terrace Lakes struggled to

survive. We lost 100 members and it was difficult to sell anything. The land the well was on was 234 acres and we had to sell it in 2016 to pay off some other loans that we could not afford the payments on. It sold for \$1,825.00 an acre. The Purchase and Sale agreement stated there was to be an easement on all roads, the well, water lines and within 100 feet of the golf course. See attached. Exhibit A & Legal Exhibit 1

5. All records regarding any and all hookup fees, or other water rights access fees charged or waived, when marketing/selling any property at Terrace Lakes, including Northridge subdivision. Lonnie and Ilene testified as realtor and developer of North Ridge, they waived water hookup fees to sell the lots.

North Ridge at Terrace Lakes Subdivision was a big money pit. There was a lot of controversy, jealousy and problems because a few people thought Lonnie might make a profit on it. It is a long story. Here are some facts.

- 1. Lonnie had 2 investors. One had guaranteed a \$600,000 loan at the bank. They were smarter than us and wanted out, in January 2008. That was when the economy went to pot.**
- 2. I borrowed \$250,000 at 10% interest on some land to buy a 1/3 interest and pay him off. We found a private party to loan \$600,000 at 10% interest to pay the bank loan off.**
- 3. The subdivision was not approved until 2014. No lots could be sold until then. There had been 4 lots sold and hooked up to water by 2018. They were not charged a hookup fee.**
- 4. The rest I will have to tell you in person.**

I had all of the lots listed and in order to entice someone to buy a lot they were advertised that we would waive the hookup fees for water if the offer was full price. It was still hard to see them. There had been 4 lots sold and hooked up to water in 2018. In the end I lost over \$350,000 in the Sub. Lonnie is still paying off some debt and all of the lots sold before the prices tripled in 2021. Now, North Ridge is the primo Subdivision in Garden Valley. They were all acreages with water and underground power. They sold for \$45,000 to \$84,500. Many were view lots in the trees and the Subdivision bordered the back nine of the golf course at Terrace Lakes Resort.

6. All liens filed for the benefit of the water company, as referenced in Section 6.2.1 of the Bylaws.

These were liens recorded on properties when the owners did not pay their water bill. Terrace Lakes would get paid if and when the property was ever sold.

7. All water service agreements as required by the bylaws.

Do not know what this is.

8. Tax return documents

The bookkeeper at Terrace Lakes has these. The current Board has never had a year-end financial statement or a meeting in the last 2 ½ years since they got on the Board.

9. All records related to the number and location of all water meters and hydrants

There are no water meters. There are lot line valves installed so the buyer of a lot can hook up to the water system.

I have not seen a map that shows where the fire hydrants are. One of the hydrants is connected to a creek fed pond on the golf course so the fire trucks can fill up.

10. Inventory of "furniture & fixtures" and "vehicles" identified on the September 2020 Balance Sheet.

The truck was the only vehicle, see above. Do not know of any furniture and fixtures.

11. Accounting records supporting where

12. Financial deposits/checking account/bank account records reflecting the TLWC monies Ilene may have acknowledged were "commingled" with TL Ranch monies.

Bookkeeper at Terrace Lakes has all accounting records. No commingled funds as explained below.

Originally, Terrace Lakes owned the water system together with everything else. In court when he was interrogating me I made the statement that we kept our records of income separate but the money went into the pot. That is, Terrace Lakes account.

All monies for the water company was kept separate from The Resort after the Consent Order was signed. In 2000 Terrace Lakes was charging \$10.00 a month for water then it was raised to \$15.00 when we signed the Consent Order in 2005.

Our Attorney, Richard Cummings, drafted the Articles of the Terrace Lakes Water Company and the By-Laws. I opened a Water Company bank account and made sure any monies paid for water went into that account immediately. I went to the bank and they made the first loan of \$450,000, at 9% interest, the payment was over \$7,000 a month. We had to raise the fee to \$40.00 a month. Later is was raised to \$47.00. The loans were all secured by Terrace Lakes lands. Through the 5 years it took to do the upgrade. When there was a shortfall Terrace Lakes or I loaned it money as is reflected on the closing statements when the loan was finalized. Actually Terrace Lakes still owned everything until 2011 when the USDA Guaranteed loan was made by Les Bois Credit Union. A total of \$1,285,000 that paid off the loans. The Water Company never say that money. There were several bridge loans through the 5 years. Our adversaries on the current Board of Directors and their attorney have never understood anything about the loans. That is why they keep accusing us of stealing \$581,000 from the Water Company.

I hope the letter I am sending helps you to understand what has been going on.

This whole lawsuit is bizarre. Thanks, Ilene Johnson

I have been provided some records that led me to these requests, so if you have other documents that your clients have located since early in this litigation, please produce those as well.

After reviewing this list, I think it will be best for me to set eyes on Ilene's office to get a feel for what she has or may have there. Of course, if you have these documents in your possession, you can provide them to me before we meet on Wednesday.

Thanks. Have a nice weekend.

Kirtlan G. Naylor *Of Counsel.*

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Boise, ID 83702

D. 208-947-2070

C. 208.761-1500 (Preferred)

kirt@naylorhales.com • naylorhales.com

This e-mail is a confidential communication.

If you mistakenly received it, please notify me and destroy your copy.



ADDENDUM # 1 (All addendums shall be numbered sequentially.)

JULY 2016 EDITION Page 1 of 1

RE-11 ADDENDUM

THIS IS A LEGALLY BINDING CONTRACT, READ THE ENTIRE DOCUMENT, INCLUDING ANY ATTACHMENTS. IF YOU HAVE ANY QUESTIONS, CONSULT YOUR ATTORNEY AND/OR ACCOUNTANT BEFORE SIGNING.



1 Today's Date: 12-14-2016

2

3 This is an **ADDENDUM** to the Purchase and Sale Agreement Other _____

4 ("Addendum" means that the information below is added material for the agreement (such as lists or descriptions) and/or means the form is

5 being used to change, correct or revise the agreement (such as modification, addition or deletion of a term)).

6

7 AGREEMENT DATED: 12-14-2016 ID # _____

8

9 ADDRESS: TERRACE LAKES 234.365 AC. PARCEL # 10N04E29T850 AND

10 BUYER(S): STANLEY JOHNSON ✓ # 10N04E285452,

11

12 SELLER(S): TERRACE LAKES RECREATION RANCH, INC.

13

14 The undersigned parties hereby agree as follows:

- 15
- 16
- 17 ① THE AMOUNT OF LAND TO BE DETERMINED. THE SALE PRICE TO
- 18 BE \$1825. AN ACRE
- 19
- 20
- 21 ② BUYER TO GIVE SELLER THE RIGHT TO BUY-BACK THIS PROPERTY
- 22 FOR THE SAME PRICE WITHIN ONE YEAR PLUS 8% INTEREST.
- 23
- 24 ③ BUYER TO GIVE SELLER AN EASEMENT AND USE RIGHT ON
- 25 ALL ROADS, CART PATHS, WATER LINES, WELL, RESERVOIR,
- 26 GRAVEL PIT AND WITHIN 100 FT. OF GOLF COURSE.
- 27
- 28
- 29
- 30
- 31 ~~④ EASEMENTS AND USE RIGHTS INCLUDES SOME AS SHOWN~~
- 32 ~~WITH A ROAD AND UP TO A FENCE LINE~~
- 33
- 34
- 35 ⑤ SELLER TO GIVE BUYER ACCESS TO PROPERTY ON ALL
- 36 EXISTING ROADS OWNED BY TERRACE LAKES RECREATION
- 37 RANCH, INC AND XROADS DEVELOPMENT, INC.
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48 To the extent the terms of this ADDENDUM modify or conflict with any provisions of the Purchase and Sale Agreement including all prior

49 Addendums or Counter Offers, these terms shall control. All other terms of the Purchase and Sale Agreement including all prior

50 Addendums or Counter Offers not modified by this ADDENDUM shall remain the same. Upon its execution by both parties, this agreement

51 is made an integral part of the aforementioned Agreement.

52

53 BUYER: [Signature] Date: 12/14/16

54

55 BUYER: _____ Date: _____

56

57

58 SELLER TERRACE LAKES RECREATION RANCH INC. Date: 12/15/16

59

60 SELLER: BY: Stanley Johnson, Sec/Treas Date: _____

Exhibit 1

Parcel #RP10N04E297850 80 Acres

E1/2SE1/4, Section 29, T10N, 4E, Boise County, Idaho

And

Parcel #RP10N04E285452 154.365 Acres

W1/2SW1/4, SE1/4SW1/4, SW1/4SE1/4, Less a portion of the
SW1/4SE1/4, Section 28, T10N, 4E, Boise County, Idaho