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MEMORANDUM

Date: August 2, 2007
To: David Hallford
From: Britt Choate

Subject: Sound of Music Ranch - Water Rights Title Report

I have reviewed the record title to the Pleasant Valley Ditch rights ("Ditch") decreed to the Sound of Music Ranch. Interests in the Ditch were conveyed to SOM-A, LLC and SOM-C, LLC ("Sellers") by Warranty Deeds dated October 14, 2002 and December 3 2003 and recorded in the San Miguel County records as Reception Nos. 352324 and 362896, which are attached hereto and made a part hereof. The results of my title search are summarized below for the Ditch.

Summary Conclusion

There is a clear chain of title for the water rights associated with the Sound of Music Ranch. The Sellers own 4 shares (4/15ths, i.e., 26.66% or 3.20 cfs of Priority No. 166 and 2.13 cfs of Priority No. 187) in the Pleasant Valley Ditch water rights free and clear of any recorded liens and encumbrances.

Pleasant Valley Ditch

SOM-A, LLC was conveyed 1 of the 15 shares associated with the Ditch and SOM-C, LLC was conveyed 3 of the 15 shares associated with the Ditch. These shares are conveyed to Parcel A and Parcel C, Sound of Music Ranch by the above-referenced Warranty Deeds. The Pleasant Valley Ditch was adjudicated under the two priorities as follows:

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Pleasant Valley Ditch, Ditch No. 123, adjudicated July 2, 1916, for 12.0 c.f.s. under Priority No. 166, with J.E. Whiteley, John Vernon, Charlie Ross, The Norwood State Bank, and the Estate of W. E. Wheeler, Clyde Porter and Charlie Rose as the claimants.

Pleasant Valley Ditch (Enlargement), Ditch No. 123, adjudicated July 2, 1916, for 8.0 c.f.s. under Priority No. 187, with J.E. Whiteley, John Vernon, Charlie Ross, The Norwood State Bank, and the Estate of W. E. Wheeler, Clyde Porter and Charlie Rose as the claimants.

I found a deed that shows that Lorna R. Snyder and Neal E. Snyder owned the property (now known as Sound of Music Ranch) and "together with all of first parties' right, title and interest in and to any and all water or water rights, ditches and ditch rights, and together with all water and water rights, ditches and ditch rights belonging thereto and used in connection therewith." This deed is attached and was recorded in the San Miguel Clerk and Records office as Reception No. 154470. The chain of title for the Sellers' Pleasant Valley Ditch shares is as follows:

1. Agreement dated September 20, 1951 wherein the parties divided and recognized that P.C. Whitely and Alma Whitely owned 6 of the 15 shares associated with the Pleasant Valley Ditch, Neal Snyder and Lorna Snyder owned 5 of the 15 shares, Dan H. Hughes and Mary A. Hughes (Hughes Ranch) owned 3 of the 15 shares, and the Rosses owned 1 share;
2. Deed dated November 8, 1962 and recorded in San Miguel County as Reception No. 154470, from Neal E. Snyder and Lorna R. Snyder to Neal E. Snyder and Lorna R. Snyder;
3. Deed dated December 31, 1973 and recorded in San Miguel County as Reception No. 187242, from Violet Ruth Serra to T.N.T. Ranch Ltd.;
4. Deed dated December 31, 1973 and recorded in San Miguel County as Reception No. 187241, from Kenneth O. Snyder to T.N.T. Ranch, Ltd.;
5. Deed dated December 31, 1973 and recorded in San Miguel County as Reception No. 187240, from Raymond Neal Snyder, Terrell Steven Snyder, Marggretta Anne Shaffer and Frances Marie White to T.N.T. Ranch, Ltd.;
6. Deed dated December 31, 1973 and recorded in San Miguel County as Reception No. 187239, from Lorna R. Snyder to T.N.T. Ranch, Ltd.;

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7. Warranty Deed dated December 26, 1986 and recorded in San Miguel County as Reception No. 246732, from T.N.T. Ranch, Ltd. to Billorado Exchanger, Inc.;

8. Warranty Deed dated December 26, 1986 and recorded in San Miguel County as Reception No. 246736, from Billorado Exchanger, Inc. to William W. Carstens, Trustee UDT dated February 7, 1980;

9. Special Warranty Deed dated January 2, 1987 and recorded in San Miguel County as Reception No. 252244, from William W. Carstens, Trustee UDT dated February 7, 1980 to BIF Partnership;

10. Warranty Deed dated August 27, 1990 and recorded in San Miguel County as Reception No. 267291, from William W. Carstens to BIF Partnership;

11. Quit Claim Deed dated April 5, 1990 and recorded in San Miguel County as Reception No. 264473, from BIF Partnership to William W. Carstens;

12. Warranty Deed dated December 31, 1992 and recorded in San Miguel County as Reception No. 352321, from BIF to William W. Carstens Trust UDT dated February 7, 1980 (4 shares of Pleasant Valley Ditch);

13. Warranty Deed dated January 1, 1997 and recorded in San Miguel County as Reception No. 309807, from Billorado Properties to Deborado Properties;

14. Quit Claim Deed dated January 1, 1997 and recorded in San Miguel County as Reception No. 309808, from Billorado Properties to Deborado Properties;

15. Warranty Deed dated January 30, 1997 and recorded in San Miguel County as Reception No. 310607, from Deborado Properties to Deborado, LLC;

16. Quit Claim Deed dated January 30, 1997 and recorded in San Miguel County as Reception No. 310608, from Deborado Properties to Deborado, LLC;

17. Warranty Deed dated December 31, 1998 and recorded in San Miguel County as Reception No. 330103, from Carstens Investment Company to Gunslinger Investment Corporation;

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18. Warranty Deed dated August 9, 2000 and recorded in San Miguel County as Reception No. 335967, from Deborado, LLC to Gunslinger Investment Corporation;

19. Warranty Deed dated March 1, 2002 and recorded in San Miguel County as Reception No. 347516, from Deborado, LLC to SOM-C, LLC;

20. Warranty Deed dated April 1, 2002 and recorded in San Miguel County as Reception No. 349508, from Deborado, LLC to William W. Carstens, Trustee of the William W. Carstens Trust UTD February 7, 1980;

21. Warranty Deed dated June 18, 2002 and recorded in San Miguel County as Reception No. 352322, from William W. Carstens, Trustee of the William W. Carstens Trust UTD February 7, 1980 to SOM-B, LLC;

22. Warranty Deed dated October 14, 2002 and recorded in San Miguel County as Reception No. 352323, from William W. Carstens, Trustee of the William W. Carstens Trust UTD February 7, 1980 to Gunslinger Investment Corporation;

23. Warranty Deed dated October 14, 2002 and recorded in San Miguel County as Reception No. 352324, from William W. Carstens, Trustee of the William W. Carstens Trust UTD February 7, 1980 to SOM-C, LLC; and

24. Warranty Deed dated December 3, 2003 and recorded in San Miguel County as Reception No. 362896, from Gunslinger Investment Corporation to SOM-A, LLC.

As you can see from the chain of title, 4 of the 5 shares from the Pleasant Valley Ditch that were divided and claimed by Snyders in accordance to the Agreement dated September 20, 1951 were properly and eventually conveyed to the Sellers. The other Snyder share was conveyed to Oliver W. Stone and Elizabeth Cox Stone, Co-Trustees of The Oliver and Elizabeth Stone Trust of 1988 from BIF by a Quit Claim Deed dated August 2, 1991 and recorded in San Miguel County as Reception No. 271979.