

CANTERBURY
COMMERCIAL LLC

January 9, 2007

Ms. Vikie Bailey-Goggins
Mr. Michael Dougherty
Oregon Public Utility Commission
PO Box 2148
Salem, Oregon 97308-2148

Re: Seventh Mountain Golf Village Water Co.
Affiliated Interest Application – Affiliated with Braber Properties, LLC

Dear Ms. Bailey-Goggins and Mr. Dougherty:

This Affiliated Interest application is submitted in the manner and form indicated by OAR 860-036-0730.

INFORMATION REQUIREMENTS

- (a) The applicant's exact name and the address of its principal business office;

*Seventh Mountain Golf Village Water Co. (SMGV Water Co.)
3030 SW Moody Ave. Suite 103
Portland, Oregon 97201*

- (b) The name and address of the person authorized on the water utility's behalf to receive notices, inquiries and communications regarding the information.

*Dale Bernards
c/o CRESCO, Inc.
3030 SW Moody Ave., Suite 103
Portland, Oregon 97201*

- (c) A statement describing the relationship between the water utility and the contracting entity as defined by ORS 757.015 and 757.490;

Braber Properties, LLC (Braber) is owned equally by and between Brandt and Braden Bernards with Dale Bernards being the Acting Authority. Dale Bernards is 100% owner of SMGV Water Company. Braber owns the parcel of land in Phase VI of Elkai Woods Town Homes – more specifically the East One Half of Section 22, Township 18 South, Range 11 East W.M. in Deschutes County – a copy of the site map is enclosed. Some of SMGV's assets are located on Tract A, with the balance of those assets being located on land owned by Widgi Creek Golf Course. A full copy of the site map was hand delivered to Michael Dougherty on October 10, 2005. An Easement Agreement was executed between Widgi Creek Golf Course, Braber and SMGV to allow mutual access for the operation and maintenance of the water utility, and golf course to the benefit of all parties. A copy of the Easement Agreement is enclosed for your review.

Ms. Vikie Bailey-Goggins
Mr. Michael Dougherty
Oregon Public Utility Commission
January 9, 2007
Page 2 – SMGV Water Co.

- (d) The amount, kind, and ratio to total voting securities held, if applicable;

Not Applicable.

- (e) A list of all officers and directors of the affiliated interest who are also officers or directors of the applicant;

*Dale Bernards is the Owner and President of SMGV Water Co.
Dale Bernards is the "Acting Authority" for Braber Properties, LLC, which is owned equally between his two children, Brandt and Braden Bernards.
Both members of Braber Properties are minors.*

- (f) The pecuniary interest, directly or indirectly, of any officer or director who is a party to the contract;

Dale Bernards is the Owner and President of SMGV Water Co and is the Acting Authority for Braber Properties, LLC, which is owned equally between his two children, Brandt and Braden Bernards, both of whom are minors.

- (g) A description of the goods or services to be provided, the cost incurred in providing each of the goods or services, the market value of the goods or services if different from the costs, and the method or methods proposed for pricing those goods or services;

Braber will provide SMGV Water Company with land whereupon the utility's assets are located. This is an imperative necessity for the utility which would otherwise be forced to relocate its assets, which would include the reservoir, pump house, generating station, etc. The market value of the land in question has been ascertained by Deschutes County based upon the tax statement issued in November of 2006, a copy of which is enclosed for the Commission's review. Real (or Fair) Market value of the land has been assessed at \$29,800. In previous review, the PUC priced the land rental at 9% of the determined value, but upon later review increased that amount closer to 20% of the land value. This would generate an annual rent of \$5,960 per year or \$496.67 per month.

Ms. Vikie Bailey-Goggins
Mr. Michael Dougherty
Oregon Public Utility Commission
January 9, 2007
Page 3 – SMGV Water Co.

- (h) An estimate of the amount the water utility will pay annually for the goods or services and the accounts in which it will record the charges;

The Lease Agreement of 2005 dictated annual rents of \$5,169.08 with 2.5% per annum increases. This would put 2007 rents at \$5,430.76 or \$452.62 per month. These charges will be reflected under Acct # 641 (Land Lease).

- (i) The reasons, in detail, relied upon by the water utility for procuring the proposed goods or services from the affiliate and benefits, if any, utility customers and the general public will derive from the provision of goods or services.

Braber will provide SMGV Water Company with land whereupon the utility's assets are located. This is an imperative necessity for the utility which would otherwise be forced to relocate its assets, which would include the reservoir, pump house, generating station, etc. The cost for this relocation would place undue hardship on the utility and would eventually be borne by the customers currently served by SMGV.

- (i) A description of the procurement process and the reasons, in pertinent detail appropriate to the complexity of procurement, relied upon by the water utility for procuring the proposed goods and services without a competitive procurement process, if such a process is not used.

The water utility and its assets have been at the current location since its construction in 1990. Originally part of the Inn of the Seventh Mountain and Widgi Creek Golf Course, the utility became a separate entity and shared land and ownership with the Golf Course. In 1999 the land under the water company (Lots 10, 11 and 12) were vested into Elkai Management LLC. The Golf Course was sold in December 2004. In 2005, the lots and land where the water utility is situated were replatted under Phase VI of Elkai Woods Town Homes and Tract A was created. At this writing, some of the water utility's assets now lay on land owned by Braber and land owned by Widgi Creek Golf Course. Reference is made to the previously mentioned Easement Agreement.

- (k) Transfer prices in contracts or agreements for the procurement of goods and services under competitive procurement shall be presumed to be the market value, subject to evaluation of the procurement process; Please state how this contract with the affiliated interest meets the Commission's Transfer Pricing Policy standard (OAR 860-036-0739) of "lower of cost or market rate."

Ms. Vikie Bailey-Goggins
Mr. Michael Dougherty
Oregon Public Utility Commission
January 9, 2007
Page 4 – SMGV Water Co.

The suggested fair market value is taken from an independent third party (Deschutes County) based upon value established and shown on the enclosed tax statement. The fair market value is presumed to be that value at which the property "could" be sold for on the open market. Based upon the Commission's prior assessment of a \$25,000 value back in 2003, a value of \$29,800 for 2006/07 seems reasonable and equitable for all parties. Also, please note that we are requesting approved rents based upon the 2005 Lease Agreement of \$452.62 per month which is the lower of values from the suggested PUC calculation of 20% of land value or \$496.67 per month.

- (l) A copy of the proposed contract or agreement between the water utility and the contracting entity; and

A copy of the Lease Agreement between Braber and SMGV Water Co. is enclosed.

- (m) Copies of all resolutions of directors authorizing the proposed transactions and, if stockholders' approval has been obtained, copies of the resolutions approved by the stockholders.

A copy of the Corporate Resolution dated August 15, 2005 authorizing SMGV Water Co. to enter into a Lease Agreement with Braber is enclosed, and a copy of Braber's Resolution authorizing the Lease Agreement.

For the reasons set forth above, Seventh Mountain Golf Village Water Co. respectfully requests that the Commission issue an Order approving the Affiliated Interest contract between Seventh Mountain Golf Village Water Co. and Braber Properties, LLC pursuant to the provisions ORS 757.495 and OAR 860-0386-0730.

Date: 1/9/07

Seventh Mountain Golf Village Water Co.



Dale W. Bernard
Owner and President

REAL PROPERTY TAX STATEMENT
JULY 1, 2006 TO JUNE 30, 2007
DESCHUTES COUNTY, OREGON
1300 NW WALL ST., SUITE 200
BEND OR 97701

ACCOUNT NO:
249352

PROPERTY DESCRIPTION

CODE: 1003
MAP: 181122-DA-00215
CLASS: 080
SITUS: 60559 SEVENTH MOUNTAIN DR BEND
LEGAL: ELKAI WOODS TOWNHOMES TRACT A

BRABER PROPERTIES LLC
1750 SW HARBOR WAY #240
PORTLAND, OR 97201

SCHOOL DISTRICT #1	74.56
HIGH DESERT ESD	1.51
C O C C	9.71
EDUCATION TOTAL:	85.78
DESCHUTES COUNTY	20.01
SHERIFF (CNTY)	25.04
COUNTY LIBRARY	8.61
COUNTY EXTENSION/4H	0.35
911	2.53
911 LOCAL OPTION	1.41
RURAL FIRE DISTRICT #2	22.48
GENERAL GOVT TOTAL:	80.43
JAIL BOND	2.19
FAIRGROUNDS BOND	2.22
BEND LIBRARY	1.34
SCHOOL #1 BOND 1993	1.92
SCHOOL #1 BOND 1998	13.46
SCHOOL #1 BOND 2002	9.99
C O C C BOND	1.54
BONDS - OTHER TOTAL:	32.66

VALUES:	LAST YEAR	THIS YEAR
REAL MARKET (RMV)		
LAND		29,800
STRUCTURES		
TOTAL RMV		29,800
TOTAL ASSESSED VALUE		15,650
EXEMPTIONS		
NET TAXABLE:	0	15,650
TOTAL PROPERTY TAX:		198.87

ASSESSMENT QUESTIONS (541) 388-6508
TAX QUESTIONS (541) 388-6540

2006-07 TAX (Before Discount) 198.87

PAYMENT OPTIONS			
Date Due	3% Option	2% Option	Trimester Option
11/15/06	192.90	129.93	66.29
02/15/07			66.29
05/15/07		66.29	66.29
Total	192.90	196.22	198.87

TOTAL DUE (After Discount and Pre-payments) 192.90

↑ Tear Here PLEASE RETURN THIS PORTION WITH YOUR PAYMENT Tear Here ↑

2006-2007 PROPERTY TAXES		DESCHUTES COUNTY REAL				ACCOUNT NO. 249352	
PAYMENT OPTIONS	Discount	Date Due	Amount	Date Due	Amount	Date Due	Amount
Full Payment Enclosed	3%					11/15/06	192.90
or 2/3 Payment Enclosed	2%	05/15/07	66.29			& 11/15/06	129.93
or 1/3 Payment Enclosed	0%	05/15/07	66.29	& 02/15/07	66.29	& 11/15/06	66.29

DISCOUNT IS LOST & INTEREST APPLIES AFTER DUE DATE Mailing address change on back

Enter Payment Amount
\$

BRABER PROPERTIES LLC
1750 SW HARBOR WAY #240
PORTLAND, OR 97201

MAKE PAYMENT TO:
DESCHUTES COUNTY TAX COLLECTOR

After Recording, Return to:

Carl W. Hogg, Jr.
16.8 N.W. Greenwood Ave.
Beard, OR 97701

**AGREEMENT AND RECIPROCAL EASEMENTS
REGARDING WATER ACCESS AND SERVICES**

DATE: March 27, 2006

BETWEEN: Bholm, LLC, dba Widgi Creek Golf Club ("Widgi Creek")

and

Dale Bernards ("Bernards")

and

Seventh Mountain Golf Village Water Company ("SMGV")

and

Braber Properties, LLC (Braber)

Recitals:

Widgi Creek owns a certain parcel of land in Deschutes County, Oregon, described in Exhibit A attached hereto and by this reference incorporated herein, which it maintains as a semi-private golf course known as Widgi Creek Golf Course.

Dale Bernards, as a member of Bernards Golf, LLC, one of the previous owners of the golf course, owned and operated a water company known as Seventh Mountain Golf Village Water Company (SMGV) for the benefit of the golf course and the surrounding, individually-owned residential properties. Bernards has not transferred ownership of SMGV, and continues to operate SMGV as he did prior to the sale of the golf course property.

SMGV draws all water for its operation from a well located on Widgi Creek's property, and belonging to Widgi Creek. In order to draw water for its operation, SMGV owns and maintains an electrical pump within the well. It is undisputed that Widgi Creek owns the well, and that SMGV owns the electrical pump within that well.

SMGV owns a building that houses the water company and its equipment other than the above electrical pump. SMGV's building is located on a parcel of land

13H *[Signature]*

described in Exhibit B attached hereto and by this reference incorporated herein, owned by Braber Properties, LLC. Widgi Creek owns irrigation pumps and other equipment that are also housed in the SMGV facility.

Dale Bernards is the Manager of Braber and the President of SMGV. SMGV leases the previously SMGV mentioned-referenced parcel from Braber. Braber benefits from the SMGV monetary payments, and because Braber desires to maintain its lease arrangement with SMGV, Braber has a valuable financial interest in SMGV securing the easements and rights contained in this Agreement.

Widgi Creek and SMGV, Braber and Bernards would like to formalize their arrangement whereby Widgi Creek is permitted to maintain and access its irrigation equipment at the SMGV facility, and SMGV is permitted to maintain and access its electrical pump located within Widgi Creek's well.

Agreement:

Section 1. Reciprocal Easements

Widgi Creek, for valuable consideration and in consideration for SMGV's, Braber's and Bernard's mutual agreements and obligations, grants to SMGV, Braber and Bernards, a permanent non-exclusive easement to access the well and to maintain, repair, replace, and use the water pump and the well and the cisterns located on Widgi Creek's property described in Exhibit A in a manner consistent with its current operations.

Braber, SMGV and Bernards, for valuable consideration and in consideration for Widgi Creek's mutual agreements and obligations, grants to Widgi Creek a permanent, non-exclusive easement to access, maintain, repair, replace and use its irrigation equipment located within SMGV's facility on Braber's property described in exhibit B, in a manner consistent with its current operations.

SMGV, Braber and Bernards, in consideration for Widgi Creek's mutual agreements and obligations, will allow Widgi Creek to store maintenance equipment in the SMGV facility so long as the equipment does not interfere with SMGV's, Braber's and Bernard's use of the building and equipment.

Widgi Creek, in consideration for SMGV's, Braber's and Bernard's mutual agreements and obligations, agree to store any replacement well pump on Widgi Creek property if SMGV were to obtain such a pump.

Section 2. Properties Subject to Easements

The properties that are subject to these easements are more particularly described and/or diagrammed in the attached Exhibits C-1 and C-2 (Widgi Creek well), D and E (SMGV pump house), which are incorporated by this reference herein. Widgi Creek's equipment within the SMGV facility is more particularly described in the attached

BH
Z

Exhibits F, G, H, I, J and K also incorporated by reference herein. SMGV's equipment is shown in Exhibits L and M.

Section 3. Water Rights and Personal Property

As part of this Agreement, Widgi Creek, SMGV, Braber and Bernards stipulate to the following understanding regarding the parties' respective water rights and ownership of certain personal property:

- A. SMGV and/or, Braber and/or Bernards own/owns and have/has the exclusive right to draw water for the purpose of servicing its residential customers (95 GPM), together with its "commercial customer," (50 GPM) as that term is defined below. Widgi Creek expressly disclaims any such interest or right to draw water for this purpose.
- B. Widgi Creek owns and has the exclusive right to draw approximately 130.9 acres of irrigation water (734 GPM), together with pond maintenance water use (35 GPM), under the terms of a permit issued to SMGA Partnership, Inc. in 1990 which is attached as Exhibit N and incorporated by this reference herein. SMGV, Braber and Bernards expressly disclaims any such interest or right to draw water for this purpose, except as necessary to effectuate this agreement.
- C. As used in this Agreement, the term "commercial customer" refers to Widgi Creek's consumption of drinking quality water in its own facilities, including but not limited to its restaurant, clubhouse, pool house, maintenance building, restrooms, and drinking fountains, both within its buildings and on the golf course. "Commercial customer" does not include any residential properties owned by Widgi Creek.
- D. Widgi Creek owns certain personal property in the SMGV building which are more particularly described in Exhibits F, G, H, I, J and K. SMGV expressly disclaims any interest in said property. Widgi Creek expressly disclaims any interest in the other pumps and other water equipment in the SMGV building.

Section 4. Special Provisions Regarding "Commercial Customer" Service

Widgi Creek and SMGV, Braber and Bernards agree to the following special provisions regarding water service to Widgi Creek as the "commercial customer":

- A. For as long as SMGV, Braber and Bernards are engaged in providing water to its residential customers, SMGV, Braber and Bernards agree to provide the same service to the "commercial customer" at rates set by the Public Utility Commission.
- B. SMGV, Braber and Bernards agree that this obligation shall be binding not only on SMGV, Braber and Bernards, but also their successors and assigns.

BH JB

and SMGV, Braber and Bernards shall not sell or otherwise transfer the right to service the "commercial customer" without expressly transferring the obligation to provide such service at rates set by the Public Utilities Commission.

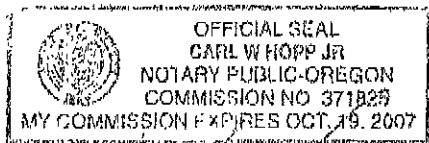
C. SMGV, Braber and Bernards agree to notify Widgi Creek in writing, sent by registered U.S. mail, before executing any sale or transfer of the right to service the "commercial customer," and further agrees that Widgi Creek shall have, upon receiving such notice, a 10-day option to purchase said right upon the same terms and conditions offered to any other potential purchaser or transferee.

D. The parties, Widgi Creek, SMGV, Braber and Bernards, will make reasonable efforts to assist the other party in effectuating all of the rights as outlined in this Agreement. These reasonable efforts include but are not limited to the timely providing of copies of proposed sale agreements of "commercial customer" water rights.

So agreed this 27 day of March 2006

By [Signature]
Barry Helm, Member/Manager
Bhelm, LLC

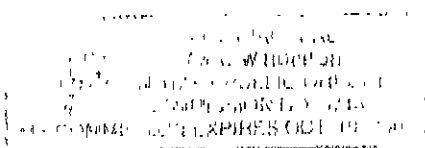
This instrument was acknowledged before me on 27 day of March 2006, by Barry Helm as Member/Manager of Bhelm, LLC.



[Signature]
Notary Public for Oregon
My Commission Expires:

By [Signature]
Dale Bernards,

This instrument was acknowledged before me on 27 day of March 2006, by Dale Bernards.



[Signature]
Notary Public for Oregon
My Commission Expires:

BH B

By *Dale Bernards*
 Dale Bernards, President
 Seventh Mountain Golf Village Water Company

This instrument was acknowledged before me on 27 day of March 2006, by Dale Bernards, President of Seventh Mountain Golf Village Water Company

Carlene [Signature]
 Notary Public for Oregon
 My Commission Expires:

By *Dale Bernards*
 Dale Bernards, Member/Manager
 Braber Properties, LLC

This instrument was acknowledged before me on 27 day of March 2006, by Dale Bernards, Member/Manager, Braber properties, LLC.

Carlene [Signature]
 Notary Public for Oregon
 My Commission Expires:

BH [Signature]

EXHIBIT "A"

PARCEL 1:

A parcel of land located in a portion of Sections 14, 15, 22 & 23 Township 18 South, Range 11 East, Willamette Meridian, Deschutes County, Oregon, being more particularly described as follows:

Beginning at a 2 1/2" brass cap marking the Southeast One-Sixteenth Corner of said Section 22; thence North 61° 55' 30" East a distance of 172.32 feet; thence North 45° 20' 00" West a distance of 90.00 feet; thence North 77° 40' 00" West a distance of 323.00 feet; thence North 78° 27' 00" East a distance of 106.00 feet; thence North 00° 22' 27" East a distance of 154.00 feet; thence North 22° 00' 00" East a distance of 615.00 feet; thence North 50° 30' 00" East a distance of 142.50 feet; thence North 35° 00' 00" West a distance of 160.00 feet; thence North 41° 45' 00" East a distance of 115.00 feet; thence South 43° 18' 00" East a distance of 198.00 feet; thence North 29° 21' 00" East a distance of 135.00 feet; thence South 40° 08' 00" East a distance of 129.00 feet; thence North 45° 41' 00" East a distance of 58.00 feet; thence South 79° 45' 00" East a distance of 373.00 feet; thence North 72° 30' 00" East a distance of 51.36 feet; thence around a 321.04 foot radius curve left 258.38 feet (chord bears North 32° 09' 20" East, 251.47 feet); thence North 09° 10' 39" East a distance of 8.11 feet to a point on the exterior boundary line of the plat of Seventh Mountain Golf Village; thence along said exterior boundary line the following 31 courses and 11 curves:

North 09° 10' 31" East a distance of 211.63 feet;
 around a 180.00 foot radius curve left 125.46 feet (chord bears North 10° 58' 26" West, 122.94 feet);
 North 30° 55' 33" West a distance of 172.35 feet;
 around a 520.00 foot radius curve right 68.92 feet (chord bears North 27° 09' 53" West, 68.87 feet);
 North 23° 22' 03" West a distance of 117.64 feet;
 around a 326.00 foot radius curve left 128.10 feet (chord bears North 34° 37' 27" West, 127.27 feet);
 North 45° 52' 51" West a distance of 86.65 feet;
 around a 114.00 foot radius curve left 44.07 feet (chord bears North 56° 57' 17" West, 43.79 feet);
 North 68° 01' 44" West a distance of 152.82 feet;
 around a 186.00 foot radius curve left 87.71 feet (chord bears North 81° 32' 19" West, 86.90 feet);
 South 84° 57' 02" West a distance of 34.69 feet;
 around a 454.50 foot radius curve right 166.94 feet (chord bears North 84° 29' 03" West, 166.00 feet);
 North 74° 00' 15" West a distance of 48.94 feet;
 around a 83.00 foot radius curve left 57.47 feet (chord bears South 86° 37' 33" West, 56.38 feet);
 North 16° 01' 01" East a distance of 62.34 feet;
 North 73° 58' 59" West a distance of 10.00 feet;
 North 16° 01' 01" East a distance of 10.30 feet;
 South 73° 59' 43" East a distance of 149.83 feet;
 around a 407.45 foot radius curve left 149.99 feet (chord bears South 84° 32' 31" East, 149.15 feet);
 North 84° 57' 02" East a distance of 50.42 feet;
 around a 260.50 foot radius curve right 214.09 feet (chord bears South 71° 21' 21" East, 208.12 feet);
 around a 35.00 foot radius curve left 59.99 feet (chord bears North 83° 06' 46" East, 52.91 feet);
 around a 346.33 foot radius curve left 48.39 feet (chord bears North 29° 57' 17" East, 48.35 feet);
 North 69° 10' 13" West a distance of 174.94 feet;
 North 18° 52' 10" East a distance of 99.98 feet;
 North 33° 14' 37" West a distance of 53.33 feet;
 North 25° 05' 44" East a distance of 319.57 feet;

EXHIBIT A

PAGE 1 of 6

B.H. J.

North 33° 45' 24" East a distance of 89.84 feet;
 North 20° 41' 20" East a distance of 87.47 feet;
 North 10° 21' 50" East a distance of 597.37 feet;
 North 01° 23' 10" East a distance of 185.65 feet to the southerly most corner of a boundary line adjustment (LL 94-55);

thence along the westerly boundary line of said boundary line adjustment North 01° 23' 10" East a distance of 40.00 feet to the northwest corner of said boundary line adjustment; thence along the northerly boundary line of said boundary line adjustment South 85° 35' 42" East a distance of 83.75 feet to a point on the exterior boundary line of said plat of Seventh Mountain Golf Village; thence along said exterior boundary line the following 3 curves and 23 courses:

around a 624.13 foot radius curve right 87.19 feet (chord bears North 15° 22' 27" West, 87.12 feet);
 around a 232.50 foot radius curve right 145.32 feet (chord bears North 06° 21' 35" East, 142.97 feet);
 North 25° 34' 19" East a distance of 35.11 feet;
 North 66° 59' 59" West a distance of 145.18 feet;
 North 20° 44' 48" East a distance of 449.91 feet;
 North 12° 25' 20" East a distance of 523.46 feet;
 North 40° 10' 55" East a distance of 183.84 feet;
 South 75° 27' 22" East a distance of 60.02 feet;
 South 33° 34' 03" East a distance of 319.84 feet;
 South 38° 29' 18" East a distance of 430.83 feet;
 South 44° 14' 01" East a distance of 127.48 feet;
 South 15° 51' 18" East a distance of 140.10 feet;
 South 01° 30' 36" East a distance of 244.94 feet;
 North 71° 17' 50" West a distance of 373.69 feet;
 North 66° 16' 55" West a distance of 192.50 feet;
 South 69° 48' 13" West a distance of 94.55 feet;
 South 48° 57' 28" West a distance of 92.71 feet;
 South 22° 19' 11" West a distance of 86.03 feet;
 North 78° 32' 45" West a distance of 125.92 feet;
 around a 192.50 foot radius curve left 20.16 feet (chord bears South 03° 26' 04" West, 20.15 feet);
 South 78° 30' 55" East a distance of 119.33 feet;
 South 35° 40' 12" East a distance of 339.50 feet;
 South 65° 00' 53" East a distance of 129.97 feet;
 North 87° 35' 57" East a distance of 467.55 feet;
 North 24° 30' 37" East a distance of 72.90 feet;
 South 71° 48' 27" East a distance of 256.90 feet to the northerly most corner of a proposed boundary line adjustment (LL-96-3);

thence along the northeasterly boundary line of said boundary line adjustment South 24° 19' 08" East a distance of 261.26 feet; thence along the southeasterly boundary line of said boundary line adjustment South 63° 37' 01" West a distance of 120.00 feet to a point on said exterior boundary line of said plat of Seventh Mountain Golf Village; thence along said exterior boundary line the following 1 course and 1 curve:

South 63° 37' 01" West a distance of 59.83 feet;
 around a 320.00 foot radius curve right 19.93 feet (chord bears South 24° 28' 25" East, 19.92 feet) to the Westerly most corner of a boundary line adjustment (LL-96-74);

EXHIBIT APAGE 2 of 6

BH J

04:58PM FROM: Muir & Troutman

5032825799

T-170 P.008/008 F-184

thence along the Northwesterly boundary line of said boundary line adjustment North 63° 37' 01" East a distance of 174.70 feet; thence along the Northeasterly boundary line of said boundary line adjustment South 10° 10' 12" East a distance of 92.08 feet to a point on said exterior boundary line of said plat of Seventh Mountain Golf Village; thence along said exterior boundary line the following 14 courses and 3 curves:

South 00° 34' 54" East a distance of 199.96 feet;
 South 70° 45' 51" West a distance of 133.50 feet;
 around a 120.00 foot radius curve right 51.20 feet (chord bears South 24° 47' 07" West, 50.81 feet);
 around a 80.00 foot radius curve left 47.19 feet (chord bears South 20° 07' 15" West, 46.51 feet);
 South 03° 13' 33" West a distance of 275.12 feet;
 around a 620.00 foot radius curve right 211.84 feet (chord bears South 12° 59' 43" West, 210.82 feet);
 South 56° 23' 52" East a distance of 234.73 feet;
 South 30° 09' 52" West a distance of 102.75 feet;

South 51° 36' 08" West a distance of 315.24 feet;
 South 26° 40' 49" West a distance of 379.11 feet;
 South 24° 01' 07" West a distance of 621.52 feet;
 North 74° 17' 43" West a distance of 185.14 feet;
 North 07° 47' 02" West a distance of 149.94 feet;
 South 72° 55' 27" West a distance of 103.70 feet;
 South 87° 23' 48" West a distance of 101.04 feet;
 South 75° 13' 25" West a distance of 168.94 feet to a point on the southerly boundary line of a boundary line adjustment (LL-95-3); thence along said southerly boundary line South 75° 34' 01" West a distance of 39.98 feet to the westerly boundary line of said boundary line adjustment; thence along said westerly boundary line North 14° 42' 09" East a distance of 225.46 feet to a point on said exterior boundary line of said plat of Seventh Mountain Golf Village;

thence along said exterior boundary line around a 35.00 foot radius curve left 55.53 feet (chord bears South 54° 09' 30" West, 49.88 feet); thence leaving said exterior boundary of said plat of Seventh Mountain Golf Village South 08° 19' 52" West a distance of 8.02 feet; thence around a 361.04 foot radius curve right 117.73 feet (chord bears South 18° 26' 25" West, 117.21 feet); thence South 62° 13' 04" East a distance of 10.00 feet; thence around a 371.04 foot radius curve right 347.78 feet (chord bears South 54° 38' 02" West, 335.19 feet); thence South 00° 00' 00" West a distance of 281.75 feet; thence South 48° 00' 00" West a distance of 85.00 feet; thence South 17° 40' 00" West a distance of 145.00 feet; thence North 90° 00' 00" West a distance of 64.00 feet; thence South 16° 00' 00" West a distance of 570.00 feet; thence South 00° 00' 00" West a distance of 360.00 feet; thence South 80° 45' 00" West a distance of 122.00 feet; thence North 16° 00' 00" West a distance of 206.00 feet; thence South 45° 30' 00" West a distance of 200.00 feet; thence South 18° 44' 00" East a distance of 350.00 feet; thence South 00° 00' 00" West a distance of 90.00 feet; thence South 85° 19' 39" West a distance of 231.00 feet to a point on the westerly boundary line of the Southeast one-quarter of the Southeast one-quarter (SE1/4 SE1/4) of said Section 22; thence along said westerly boundary line South 00° 21' 51" West a distance of 144.18 feet to the southerly most point of a dependent resurvey by the Bureau of Land Management (B.L.M.); thence along the easterly boundary line of said dependent resurvey the following 26 courses:

EXHIBIT - A

PAGE 3 of 6

BH 2

0000000000

1-170 P.007/008 F-104

North 74° 26' 44" East a distance of 312.92 feet;
 North 72° 43' 33" East a distance of 364.35 feet;
 North 05° 59' 07" West a distance of 162.05 feet;
 North 22° 08' 32" East a distance of 193.87 feet;
 North 04° 09' 08" East a distance of 459.23 feet;
 North 16° 22' 58" East a distance of 210.68 feet;
 North 40° 41' 44" East a distance of 626.97 feet;
 North 25° 12' 04" East a distance of 340.32 feet;
 South 62° 23' 52" East a distance of 204.10 feet;
 South 23° 44' 38" East a distance of 246.51 feet;
 South 72° 37' 28" East a distance of 104.60 feet;
 North 34° 09' 21" East a distance of 279.22 feet;
 North 19° 05' 03" East a distance of 309.91 feet;
 North 35° 24' 04" East a distance of 263.77 feet;
 North 52° 26' 45" East a distance of 272.64 feet;
 North 19° 31' 06" West a distance of 311.28 feet;
 North 35° 00' 35" East a distance of 358.49 feet;
 North 05° 53' 24" West a distance of 362.88 feet;
 North 02° 31' 03" West a distance of 263.13 feet;
 North 00° 36' 25" West a distance of 252.22 feet;
 North 14° 22' 49" West a distance of 334.86 feet;
 North 30° 26' 55" West a distance of 355.08 feet;
 North 20° 03' 08" West a distance of 161.78 feet;
 North 21° 02' 53" West a distance of 800.08 feet;
 North 34° 18' 32" West a distance of 545.31 feet;
 North 39° 02' 39" West a distance of 256.10 feet;
 North 69° 20' 54" West a distance of 367.59 feet to the northerly most point of said dependent resurvey
 by the Bureau of Land Management (B.L.M.); thence along the westerly boundary line of said
 dependent resurvey South 59° 57' 34" West a distance of 39.98 feet to the easterly right-of-way line of
 the Cascade Lakes Highway (Century Drive);

thence along said easterly right-of-way line the following three courses and one curve:

South 15° 47' 26" West a distance of 1571.78 feet;
 South 15° 47' 29" West a distance of 2951.81 feet;

around a 982.87 foot radius curve right 1013.24 feet (chord bears South 45° 20' 31" West, 968.97 feet);
 South 74° 51' 28" West a distance of 433.79 feet to a point on the north-south centerline of said Section
 22; thence along said north-south centerline South 00° 38' 47" West a distance of 302.80 feet to the
 south center one-fifteenth (S1/15) corner of said Section 22; thence along the southerly boundary line of
 the Northwest One-Quarter of the Southeast One-Quarter (NW1/4 SE1/4) of said Section 22 North 89°
 53' 56" East a distance of 1344.74 feet to the "Point of Beginning", the terminus of this description.

TOGETHER WITH: Beginning at a 5/8" iron rod marking secondary "Initial Point" of said plat of
 Seventh Mountain Golf Village on the interior boundary line of said plat; thence along said interior
 boundary line the following 23 courses and 10 curves:

South 48° 02' 14" East a distance of 209.20 feet;
 around a 614.42 foot radius curve left 244.62 feet (chord bears South 15° 49' 45" West, 243.01 feet);

EXHIBIT APAGE 4 of 6

BH

D

04:37PM FROM: Muir & Troutman

South 04° 25' 30" West a distance of 79.56 feet;
 around a 343.43 foot radius curve right 133.02 feet (chord bears South 15° 33' 34" West, 132.19 feet);
 around a 80.00 foot radius curve right 91.07 feet (chord bears South 59° 14' 33" West, 86.23 feet);
 North 88° 09' 39" West a distance of 338.25 feet;
 around a 180.00 foot radius curve right 22.91 feet (chord bears North 84° 30' 51" West, 22.90 feet);
 North 80° 52' 03" West a distance of 22.87 feet;
 around a 35.00 foot radius curve right 54.98 feet (chord bears North 35° 52' 03" West, 49.50 feet);
 North 09° 07' 57" East a distance of 101.20 feet;
 around a 220.00 foot radius curve left 153.78 feet (chord bears North 10° 53' 30" West, 150.66 feet);
 North 31° 02' 09" West a distance of 172.34 feet;
 around a 480.00 foot radius curve right 63.67 feet (chord bears North 27° 05' 12" West, 63.63 feet);
 North 23° 22' 00" West a distance of 117.64 feet;
 around a 366.00 foot radius curve left 143.81 feet (chord bears North 34° 37' 24" West, 142.89 feet);
 North 45° 53' 01" West a distance of 38.92 feet;
 around a 35.00 foot radius curve right 50.40 feet (chord bears North 04° 37' 50" West, 46.15 feet);
 around a 386.33 foot radius curve left 26.09 feet (chord bears North 34° 41' 13" East, 26.08 feet);
 South 60° 14' 24" East a distance of 177.64 feet;
 North 22° 54' 20" East a distance of 609.85 feet;
 North 42° 48' 41" East a distance of 170.63 feet;
 North 50° 34' 33" East a distance of 427.93 feet;
 North 46° 28' 17" East a distance of 85.97 feet;
 South 86° 27' 32" East a distance of 85.00 feet;
 South 70° 47' 25" East a distance of 84.87 feet;
 South 29° 27' 51" East a distance of 339.98 feet;
 South 64° 12' 47" East a distance of 43.82 feet;

South 80° 58' 00" East a distance of 78.18 feet;
 South 03° 13' 32" West a distance of 207.68 feet;
 North 82° 25' 34" West a distance of 79.58 feet;
 South 42° 53' 50" West a distance of 368.41 feet;
 South 39° 45' 03" West a distance of 170.12 feet;
 South 45° 25' 59" West a distance of 255.80 feet to the "Point of Beginning", the terminus of this description.

PARCEL 2:

Beginning at a 5/8" iron rod with a plastic cap stamped "HWA" marking the intersection of the southeasterly right of way line of Seventh Mountain Drive and the Southwesterly right of way line of Elkai Woods Drive, said point bears North 12° 58' 30" East a distance of 994.59 feet from the Southeast One-Sixteenth corner of said Section 22; thence along said Southwesterly right of way line of said Elkai Woods Drive the following three courses and two curves:

South 43° 07' 47" East a distance of 88.84 feet;
 South 37° 36' 07" East a distance of 157.69 feet;
 around a 180.00 foot radius curve right 107.29 feet (chord bears South 20° 51' 33" East, 105.71 feet);
 around a 180.00 foot radius curve right 52.12 feet (chord bears South 04° 30' 44" West, 51.94 feet);
 South 12° 48' 26" West a distance of 18.25 feet; thence leaving said Southwesterly right of way line
 South 89° 06' 18" West a distance of 141.27 feet; thence North 61° 56' 13" West a distance of 86.13 feet; thence North 71° 13' 58" West a distance of 120.53 feet to a point on said Southeasterly right of

EXHIBIT A
 PAGE 5 of 6
 BH J

00 04:57PM FROM-Muir & Troutman

503262579R

T-170 P.000/000 F-104

way line of said Seventh Mountain Drive; thence along said Southeasterly right of way line the following one course and one curve;

North 24° 57' 56" East a distance of 225.66 feet;
around a 330.00 foot radius curve right 90.61 feet (chord bears North 32° 49' 52" East, 90.32 feet) to the "point of beginning", the terminus of this description.

B

EXHIBIT A
PAGE 6 of 6
BA

Seventh Mountain Golf Village Water Co.
an Oregon Corporation

Dated: August 15, 2005

In lieu of a meeting, the sole Owner of Seventh Mountain Golf Village Water Co., Dale Bernards, reviewed and approved the new Lease Agreement between Braber Properties, LLC and Seventh Mountain Golf Village Water Co. (SMGV Water Co.) on the above date. After full review and consideration of the terms and conditions contained in the Lease Agreement; and

Upon motion duly made and seconded, it was unanimously

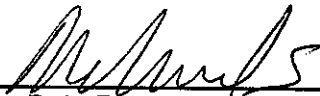
RESOLVED, that effective January 1, 2006 and until further notice or written agreement between the parties amending said Lease, the Lease Agreement is hereby approved.

RESOLVED, that the Lease Agreement shall be submitted to the Oregon Public Utility Commission for review and approval by reason that an Affiliated Interest is created between the two entities.

RESOLVED, that upon approval by the Oregon Public Utility Commission, said Lease Agreement shall go into effect on January 1, 2006 and be binding upon the parties, under the terms and conditions set forth therein.

There being no further business at this time, it was so agreed.

By: _____


Dale Bernards, Owner

Braber Properties, LLC
an Oregon Limited Liability Company

Dated: August 10, 2005

A meeting of the Members and the Acting Authority for Braber Properties, LLC was held on the above date to review and approve the new Lease Agreement between Braber Properties, LLC and Seventh Mountain Golf Village Water Co. (SMGV Water Co.). After full review and discussion of the terms and conditions contained in the Lease Agreement; and

Upon motion duly made and seconded, it was unanimously

RESOLVED, that effective January 1, 2006 and until further notice or majority vote by the active Members of the Limited Liability Company, the Lease Agreement is hereby approved.

RESOLVED, that the Lease Agreement shall be submitted to the Oregon Public Utility Commission for review and approval by reason that an Affiliated Interest is created between the two entities.

RESOLVED, that upon approval by the Oregon Public Utility Commission, said Lease Agreement shall go into effect on January 1, 2006 and be binding upon the parties, under the terms and conditions set forth therein.

There being no further business at this time, it was so agreed.

By: Brandt Bernards
Brandt Bernards, Member

By: Braden Bernards
Braden Bernards, Member

By: Dale Bernards
Dale Bernards, Acting Authority

LEASE AGREEMENT

THIS LEASE is made and entered into on **August 10, 2005**, by and between **Braber Properties, LLC** hereinafter called Lessor, and **Seventh Mountain Golf Village Water Company, (SMGV Water Co.)** hereinafter called Lessee:

WITNESSETH: That in consideration of the covenants and agreements herein contained, Lessor hereby leases to Lessee those premises described on the attached Exhibit A, subject to all easements, restrictions and rights of way of record and those common and apparent on the land.

1. **Term:** The term of this Agreement shall be twenty (20) years commencing on January 1, 2006 and continuing through December 31st 2026.

2. **Rent:** Base Rental shall be established as Four Hundred Dollars Thirty Dollars and 76/00 per month and shall not exceed \$5,169.08 for the calendar year 2006. Lessor shall be entitled to an annual increase in the monthly rent, such increase not to exceed two and one-half percent (2.5%) per annum over the previous year's annual rate.

3. **Operating Expenses:** For the purposes of this lease Lessee shall be responsible for any and all Operating Expenses. Operating Expenses shall mean all expenses paid or incurred by Lessee (or on Lessee's behalf) as reasonably determined by Lessee to be necessary or appropriate for the efficient operation of the facility and appropriate maintenance of the Land, including without limitation, (a) salaries, wages, payroll taxes, workers compensation insurance, and related expenses for any employees; (b) the cost of all charges for gas, steam, electricity and any other utilities furnished to the property, together with taxes on such utilities; (c) the cost of all charges for insurance, including fire, liability and extended coverage endorsements and fidelity insurance ; (d) the cost of all supplies or equipment related to the maintenance of the property; (e) management fees paid to a third party, or, if there is no managing agent, Lessee shall be entitled to charge an administration fee, not to exceed \$1,000 per month and (f) any and all real and personal property taxes and assessments levied or imposed by any governmental authority with respect to the land, building, fixtures or improvements located thereon, and with respect to all other property of Lessee, real or personal located in or on the Land or the facilities used in connection with Lessee's operations.

4. **Insurance:** Lessee shall be required to immediately place and maintain liability insurance of not less than \$300,000 naming Lessor as an additional insured. Lessee will provide a Certificate of Insurance to Lessor within thirty (30) days of execution of this Agreement.

5. **Option:** Provided Lessee is not in default under this Agreement, it shall have the option to renew for one successive term of twenty (20) years, on the terms and conditions contained herein. Lessee shall provide to Lessor written notice of at least 180 days, but not more than 270 days prior to the expiration of the original term of its intent to exercise this option.

5b. **Determination of Rent:** During each extended term, Base Rent shall be adjusted to reflect the greater of (a) the fair market value or the base rent being paid by Lessee immediately prior to the commencement of the extended term. Lessor shall notify Lessee of its determination of fair market rental value. Within thirty (30) days after such notification, Lessee shall either (i) notify Lessor of Lessee's acceptance of Lessor's determination of the fair market rental value, in which case Base Rent for the extended term shall be as so determined by Lessor, or (ii) notify Lessor of Lessee's rejection of Lessor's determination, in which event the fair market value shall be determined by in accordance with Section 5c. Failure of Lessee to give any notice within the required time period shall be deemed an acceptance by Lessee of Lessor's determination of the fair market rental value.

5c. **Arbitration:** Within ten (10) days after Lessee's rejection of Lessor's determination of fair market rental value, each party shall designate a representative who is either an Oregon licensed appraiser skilled in determining rental rates for utility companies in the central Oregon area, or an owner of a water utility company in the central Oregon area, or an Oregon licensed real estate broker familiar with water utility companies in the central Oregon area. The two representatives so chosen shall select an arbitrator having the above same qualifications, or if they cannot agree, then the Oregon Public Utility Commission, shall upon application, request a written report from each representative stating such representative's opinion of the fair market value of like entities in the central Oregon area. The Commission's determination of the fair market value in the report so accepted shall be binding upon the parties; provided, however, that the Base Rent during any extended term shall not in any event be less than the Base Rent payable by Lessee immediately prior to the commencement of the extended term. The cost of determination of the fair market rental value shall be borne equally by Lessor and Lessee. If a decision is not reached prior to the commencement of the extended term, rent shall continue to be payable at the amount previously in effect and retroactive adjustment shall be made when a decision has been reached.

6. **Maintenance:** Lessee agrees to make no unlawful, improper or offensive use of the property. Lessee shall pay for any and all costs involved in any activities associated with the utilization and maintenance of the property, including landscaping and orderly repairs of the buildings and equipment located on said property.

7. **Expiration:** At the expiration of the lease term or upon any termination of this lease, Lessee will quit and deliver up the premises and all future erections, improvements or additions to or upon the same, to Lessor, peaceably and in as good an order and condition as the same now are or may be put in by Lessor or Lessee reasonable wear and tear, excepted. Lessee will not suffer or commit any strip or waste thereof, nor make or suffer to be made any alterations or additions to or upon the same, nor assign this lease, nor subject or permit any other person(s) to occupy the same without the consent of Lessor being first obtained in writing. Lessor and Lessor's representatives, at reasonable times, may enter onto the property to examine the condition thereof.

8. **Default:** If the rent shall be in arrears for more than fifteen (15) days, or if Lessee is negligent or fails to do, perform or observe any of the covenants contained herein, which on Lessee's part are to be performed, then Lessor may immediately, or at any time thereafter, and while neglect or default continues, and without further notice or demand, enter into and upon the premises or any part thereof and repossess the same, and expel Lessee and those claiming under Lessee and remove Lessee's effects without being taken or deemed guilty in any manner of trespass and without prejudice to any remedies which might otherwise be used for arrears in rent, or preceding the breach of covenant.

Any waiver of any breach of covenant to be kept and performed by Lessee shall not be deemed or considered a continuing waiver and shall not operate to bar or prevent Lessor from declaring a forfeiture for any succeeding breach, either of the same condition or covenant or otherwise.

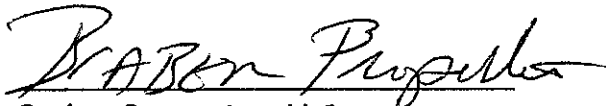
9. **Miscellaneous:** (i) Time is of the essence of this instrument.

(ii) In the event any suit or action is brought to collect any rent due hereunder, to enforce any provision of this lease or to repossess the premises, the losing party agrees to pay such sum as the trial court may adjudge reasonable attorney fees and costs of such suit or action to be allowed the prevailing party in such suit or action and upon any appeal there from.

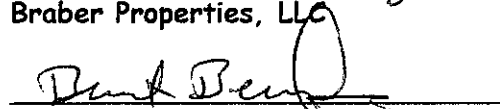
(iii) This instrument shall bind and inure to the benefit of both parties hereto and their respective executors, administrators, successors in interest and assigns.

(iv) Lessee will obtain at Lessee's expense any and all necessary licenses and/or permits as required by law, post with the local authorities any performance bonds as required and guarantee that all laws and regulations shall be adhered thereto.

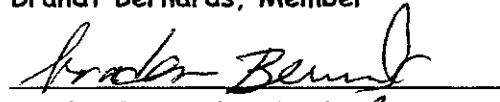
IN WITNESS WHEREOF the parties have executed this lease in duplicate on the day and year first above written.



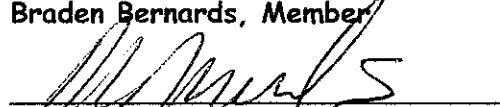
Braber Properties, LLC



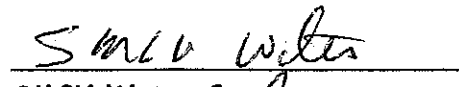
Brandt Bernards, Member




Braden Bernards, Member



Dale Bernards, Acting Authority



SMGV Water Co.



Dale Bernards, Owner/President

DESCHUTES COUNTY OFFICIAL RECORDS
NANCY BLANKENSHIP, COUNTY CLERK

2005-53269



\$35.00

08/12/2005 12:10:01 PM

THI D-D Cat=1 Str=28 JUDYMC
\$10.00 \$11.00 \$10.00 \$5.00



After recording return to:
Braber Properties LLC
1750 SW Harbor Way #240
Portland OR 97201

Until a change is requested all tax statements
shall be sent to the following address:
Grantee at address above

File No.: 7061-558184 (MSR)
Date: August 09, 2005

STATUTORY BARGAIN AND SALE DEED

Elkai Management, LLC, an Oregon limited liability company, and Elkai Woods, Inc., an Oregon corporation,, Grantor, conveys to Braber Properties LLC, Grantee, the following described real property:

Tract "A" in ELKAI WOODS TOWNHOMES, PHASE VI, Deschutes County, Oregon ✓

THIS INSTRUMENT WILL NOT ALLOW USE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT IN VIOLATION OF APPLICABLE LAND USE LAWS AND REGULATIONS. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES AND TO DETERMINE ANY LIMITS ON LAWSUITS AGAINST FARMING OR FOREST PRACTICES AS DEFINED IN ORS 30.930.

The true consideration for this conveyance is \$none. (Here comply with requirements of ORS 93.030)

Dated this 10th day of August, 2005.

FIRST AMERICAN TITLE
INSURANCE COMPANY OF OREGON
P.O. BOX 323
RENO, OR 97703

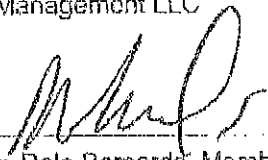
APN: 193909

Bargain and Sale Deed
- continued

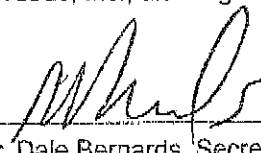
File No.: 7061-558184 (MSR)
Date: 08/09/2005

Elkai Management LLC

Elkai Woods, Inc., an Oregon Corporation



By: Dale Bernards, Member

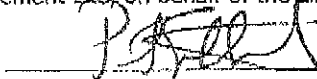
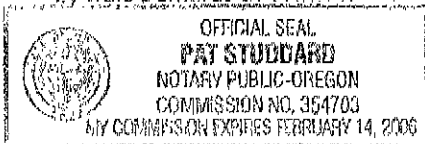


By: Dale Bernards, Secretary

STATE OF Oregon)

County of Multnomah) ss.

This instrument was acknowledged before me on this 10th day of August, 2005
by Dale Bernards as Member of Elkai Management LLC, on behalf of the Limited Liability Corporation.

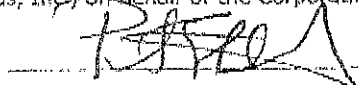
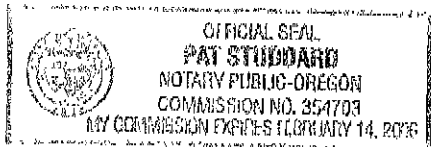


Notary Public for Oregon
My commission expires: 2/14/06

STATE OF Oregon)

County of Multnomah) ss.

This instrument was acknowledged before me on this 10th day of August, 2005
by Dale Bernards as Secretary of Elkai Woods, Inc., on behalf of the Corporation.

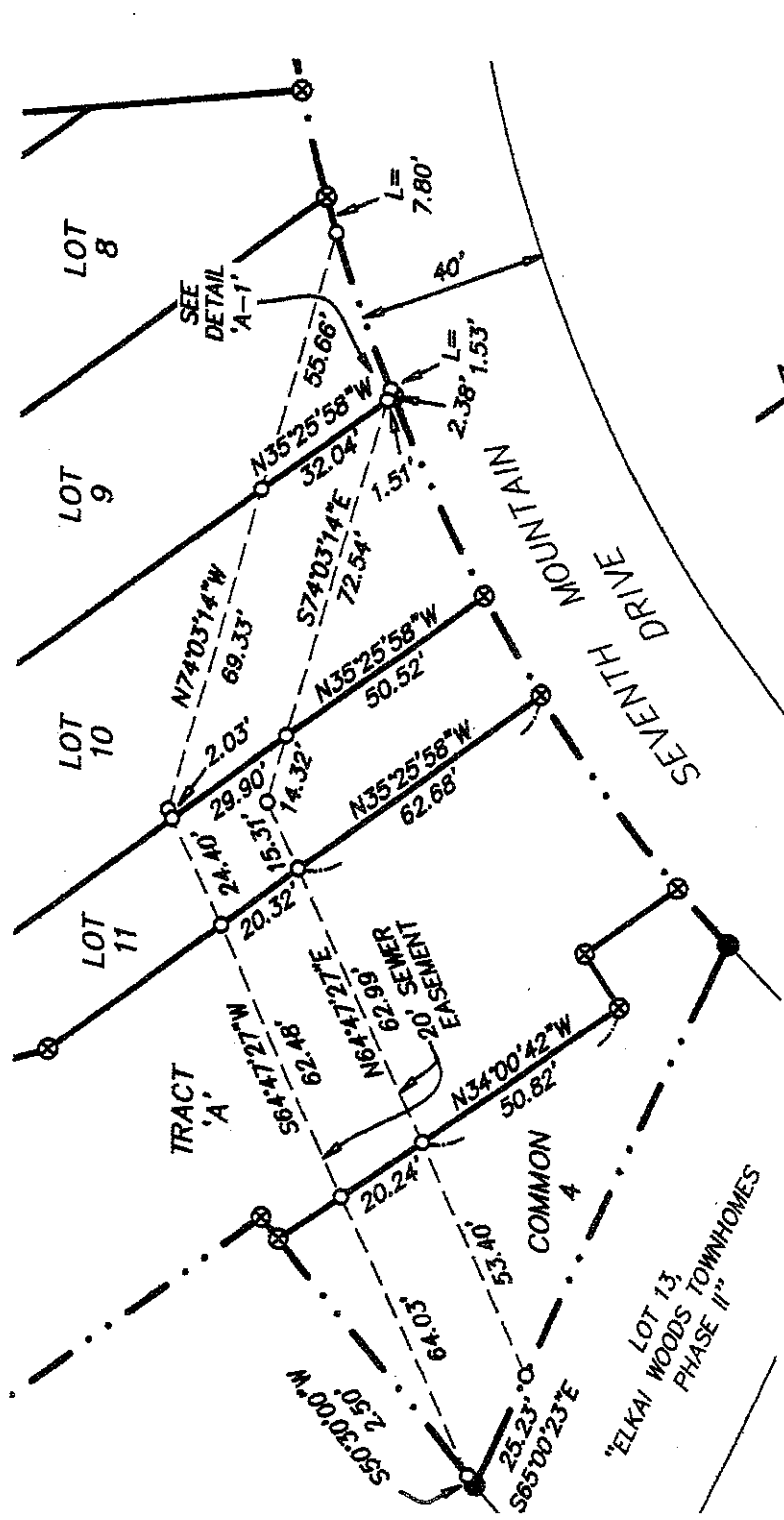


Notary Public for Oregon
My commission expires: 2/14/06

- (B) 5.0' WIDE PL
- (C) PARKING EA
- (D) INGRESS, E
- (E) 10' WIDE AG
- (F) 20' WIDE RE
- (G) 20' WIDE RE
- (H) 23.90' WIDE
- (I) 5.00' WIDE G

LEGEND

- PROJECT
- LOT LINE
- EASEMEN
- SET 5/8' MARKED
- SET 5/8' MARKED
- FOUND 5, MARKED PHASE I POSITIONS
- CALCULA
- MEASURE
- CS# 1289 BY PETER
- CS# 1310 BY PETER
- WARRANT COUNTY C



DETAIL 'A'
SCALE: 1"=40'

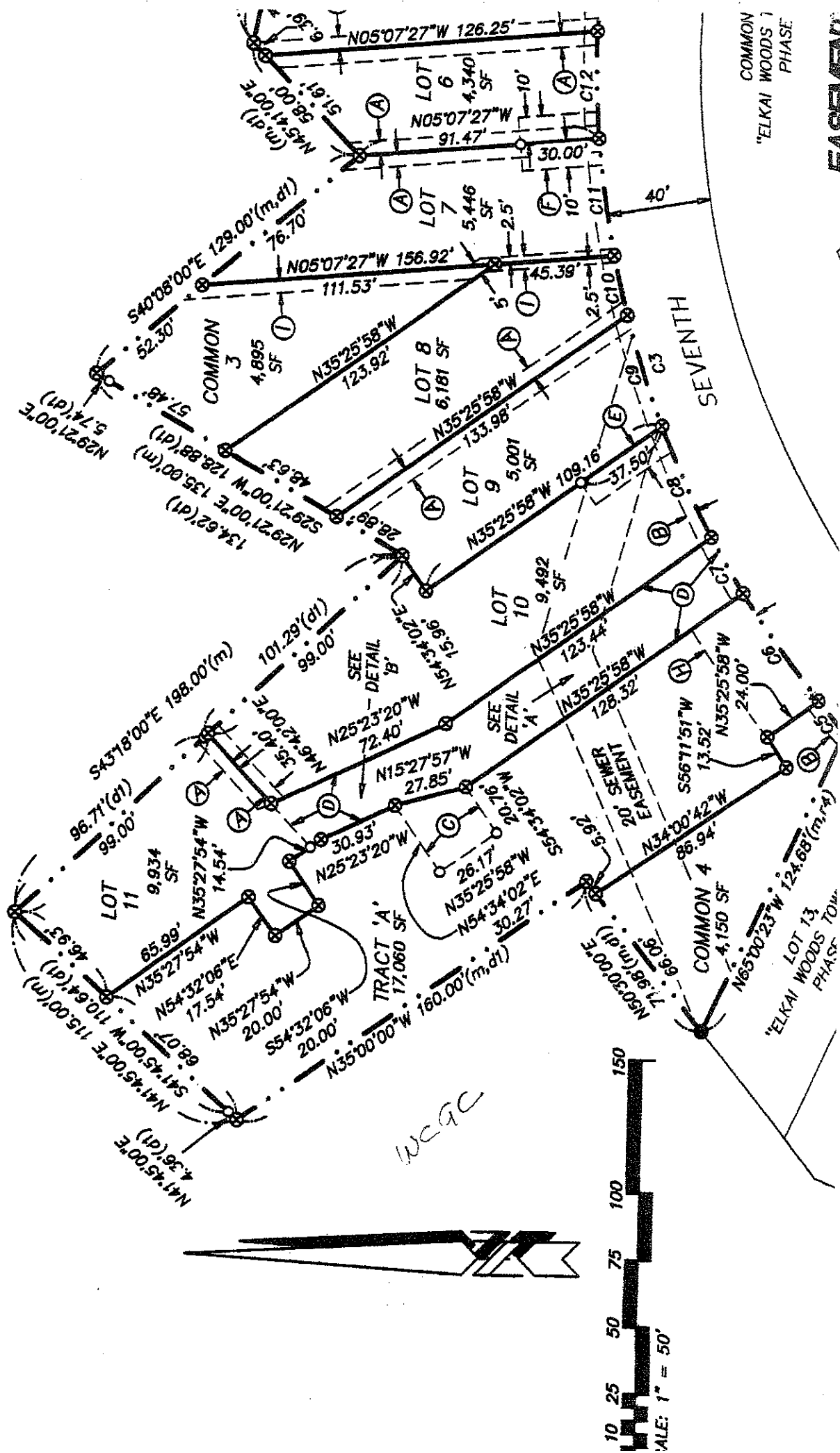
DETAIL 'A-1'
SCALE: 1"=5'

REGISTERED PROFESSIONAL LAND SURVEYOR
 OREGON
 JULY 19, 1994
 DAVID R. WILLIAMS
 2686
 4/19/05

PREPARED BY:
SURVEYORS, ENGINEERS & PLANNERS
 KEAN, WILLIAMS & ASSOCIATES, INC
 SW INDUSTRIAL WAY, SUITE 10 BEND, OREGON 97702
 PHONE (541) 399-0351
HEET 4 OF 4
 7809P124

ELKAI WOODS TOM

LOCATED IN THE EAST ONE-HALF OF SECTION 22, TOWNSHIP



COMMON
"ELKAI WOODS 1
PHASE"

ELKAI WOODS TOM